

TOROMONT
INDUSTRIAL
HOLDINGS
LTD.

A HOLDING AND MANAGEMENT COMPANY

**ANNUAL
REPORT**

FOR THE YEAR ENDED DECEMBER 31, **1969**

ANNUAL MEETING

*The Annual and a Special
General Meeting of the
Shareholders of the Company
will be held in the Manitoba
Room of the Royal York
Hotel, 100 Front St. West,
Toronto, at 11:00 a.m. on
Monday, May 25th, 1970.*

TOROMONT INDUSTRIAL HOLDINGS LTD.

NOTICE OF ANNUAL AND SPECIAL GENERAL MEETING OF SHAREHOLDERS

TO THE SHAREHOLDERS:

TAKE NOTICE that the Annual and Special General Meeting of the Shareholders of Toromont Industrial Holdings Ltd. (hereinafter called the "Company") will be held in the Manitoba Room of The Royal York Hotel, Toronto, Ontario, on the 26th day of May, 1969 at the hour of 11.30 o'clock in the forenoon (Toronto time) for the following purposes:

- (a) To receive and consider and, if thought fit, approve the consolidated financial statements of the Company and its subsidiary companies for the year ended December 31, 1968, together with the reports of the directors and auditors thereon;
- (b) To elect Directors;
- (c) To appoint auditors and authorize the Directors to fix their remuneration;
- (d) To consider and, if thought fit, sanction By-law No. 9 of the Company authorizing the Company to apply for supplementary letters patent increasing its authorized capital by the creation of 1,000,000 preferred shares of the par value of \$10 each, issuable in series.
- (e) To transact such other business as may properly come before the meeting.

A copy of the consolidated financial statements of the Company and its subsidiaries for the year ended December 31, 1968, a copy of an information circular and a form of proxy and a copy of By-law No. 9 of the Company accompany this notice.

DATED at Toronto, Ontario, this 9th day of May, 1969.

By Order of the Board of Directors,

C. D. LLOYD,
Secretary.

NOTE: Shareholders who are unable to attend the meeting in person are requested to date and sign the enclosed form of proxy and to return it in the envelope provided for that purpose.

TOROMONT INDUSTRIAL HOLDINGS LTD.

INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This Information Circular is furnished in connection with the solicitation of proxies by the Management of the Company, for use at the Annual and Special General Meeting of the Shareholders of the Company to be held on Monday, the 26th day of May, 1969, at the time and place and for the purposes set forth in the Notice of Meeting and at any adjournment or adjournments thereof. The solicitation will be primarily by mail, but proxies may also be solicited personally by regular employees of the Company. The cost of solicitation by Management will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are directors and/or officers of the Company. **A shareholder desiring to appoint some other person to represent him at the meeting may do so** by inserting such person's name in the blank space provided in the form of proxy and striking out the names of the three specified persons or by completing another proper form of proxy and, in either case, delivering the completed proxy to the Secretary of the Company prior to the commencement of the meeting.

A shareholder who has given a proxy may revoke it either (a) by signing a proxy bearing a later date and delivering it to the Secretary of the Company, or (b) as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by signing written notice of revocation and delivering it to the Secretary of the Company or the Chairman of the meeting.

EXERCISE OF DISCRETION

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed and where a choice is specified, will vote in accordance with the specifications so made. **WHERE NO CHOICE IS SPECIFIED, THE SHARES SO REPRESENTED WILL BE VOTED IN FAVOUR OF THE MATTER ON WHICH A CHOICE WAS GIVEN.** The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting, and with respect to other matters which may properly come before the meeting. At the time of preparation of this circular the management of the Company knows of no such amendment, variations or other matters to come before the meeting other than the matters referred to in the notice of meeting.

VOTING SHARES

At the close of business on April 30, 1969, the Company had 3,302,319 outstanding common shares without par value and the holders of such shares are entitled to one vote for each share held, at such meeting and at any adjournment thereof.

To the knowledge of the Company, as at April 18, 1969, no shareholder owned of record or beneficially, directly or indirectly, more than 10% of the outstanding shares of the Company.

ELECTION OF DIRECTORS

The board now consists of fifteen (15) directors to be elected annually. The persons named in the enclosed instrument of proxy intend to vote for the election of the nominees whose names are set forth below. The management does not contemplate that any of the nominees will be unable to serve as a director but, if such an event should occur for any reason prior to the meeting, the persons named in the enclosed instrument of proxy reserve the right to vote for another nominee in their discretion. Each director elected will hold office until the next annual meeting of shareholders or until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws.

<u>Name</u>	<u>Positions and offices presently held in the Company</u>	<u>Period during which nominee has served as a director of the Company</u>	<u>Approximate number of equity shares in the Company or subsidiaries beneficially owned directly or indirectly</u>
W. M. V. Ash	None	Since 1965	24,000
D. C. Barber	None	1962	20,000
R. C. Berkinshaw	Chairman of the Board	1963	15,000
P. L. Browne	Financial Consultant	1961	5,000
H. R. Crabtree	None	1967	35,000
W. A. Curtis	Deputy Chairman of the Board	1961	45,000
R. M. P. Hamilton	President	Since 1968	22,500
A. T. Hunt	None	1965	10,300
J. T. Johnson, Q.C.	None	1961	4,000
J. R. Yarnell	None	Not previously a director	100
Andre Marcil	Vice-President	1965	16,500
General Sir Neil Ritchie	None	1962	22,500
Frank T. Sherk	None	1968	19,000
N. G. Van Nest	None	January, 1969	10,000
E. C. Wood	None	1967	5,000

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid by the Company and its consolidated Subsidiaries to the directors and senior officers of the Company during the year ended December 31, 1968 was \$88,657.

The Company does not provide pension benefits to the directors and senior officers of the Company as such. The cost to the Subsidiaries of the Company whose financial statements are consolidated with those of the Company payable to senior officers of the Company by virtue of their being also senior officers of Subsidiaries of the Company under normal pension plans in the event of retirement at normal retirement age for the financial year ended December 31, 1968 was \$1,922.91.

STOCK OPTIONS

The Company's incentive stock option plan adopted in 1966 provides for the granting of options to full-time executives of the Company and its Subsidiaries and to certain other persons who, although not full-time employees, occupy key positions in the organization. Since January, 1968, the only option to purchase common shares which has been granted under the incentive stock option plan is an option to purchase 1,000 common shares at the price of \$1.75 per share. This option was granted on January 22, 1969 expiring on September 21st, 1971 and the price range on the over-the-counter market to December 31, 1968 and thereafter on The Toronto Stock Exchange during the 30 days preceding the purchase was \$2.25 to \$4.30.

In the period subsequent to January 1, 1968 the holders of incentive stock options purchased common shares of the Company pursuant to options previously granted to them under the incentive stock option plan as follows:

Date purchased	No of shares purchased	Price per share	Price range on over-the-counter market to December 31, 1968 and thereafter on The Toronto Stock Exchange during 30 days preceding purchase		
Dec. 9, 1968	12,500	\$1.25	\$1.75	—	\$2.85
Dec. 13, 1968	7,500	\$1.75	\$1.75	—	\$2.90
Jan. 3, 1969	7,500	\$1.75	\$2.25	—	\$2.90
Jan. 6, 1969	1,200	\$1.75	\$2.25	—	\$3.95
Feb. 5, 1969	1,000	\$1.75	\$3.35	—	\$4.30
Feb 12, 1969	2,100	\$1.75	\$3.35	—	\$4.20

On the 22nd day of July, 1968 the Company granted to a Senior Officer an option to purchase 12,500 common shares in the capital stock of the Company at the price of \$1.25 per share exercisable for a period expiring on May 31, 1971. The option was exercised on the 9th day of December, 1968. The price range on the over-the-counter market during 30 days preceding the purchase was \$1.75 to \$2.85.

On or about the 2nd day of July, 1968 the Company granted a further option to the Senior Officer to purchase 12,500 common shares in the capital stock of the Company at the price of \$1.50 per share. The option is exercisable not earlier than June 1, 1969 and not later than May 31, 1972.

APPOINTMENT AND REMUNERATION OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the re-appointment of Messrs. Touche, Ross, Bailey & Smart, Chartered Accountants, who have been auditors of the Company for more than five years, as auditors of the Company to hold office until the next annual meeting of shareholders.

The shares represented by the enclosed form of proxy will be voted for the proposal that the directors be authorized to fix the remuneration of the auditors, unless otherwise specified by the shareholder.

PARTICULARS OF OTHER MATTERS TO BE ACTED UPON

There will be submitted to the meeting for confirmation By-law No. 9 of the by-laws of the Company authorizing an application for supplementary letters patent increasing the capital of the Company by the creation of one million (1,000,000) preferred shares of the par value of \$10.00 each in one or more series, each series to consist of such number of shares and to have such attributes as may be determined by the directors of the Company.

DATED as of May 9th, 1969.

TOROMONT INDUSTRIAL HOLDINGS LTD.

BY-LAW NO. 9 being a by-law increasing the authorized capital of the Company and authorizing an application for supplementary letters patent.

Whereas the authorized capital of the Company consists of ten million (10,000,000) shares without nominal or par value of which three million, three hundred and two thousand, three hundred and nineteen (3,302,319) shares have been issued and are outstanding as fully paid; and

Whereas it is deemed necessary and expedient in the interest of the Company that supplementary letters patent be issued confirming this by-law increasing the authorized capital of the Company as herein provided;

NOW THEREFORE BE IT ENACTED as By-law No. 9 of TOROMONT INDUSTRIAL HOLDINGS LTD. (herein called the "Company") that:

A. The Company be and it is hereby authorized to make application to the Minister of Consumer and Corporate Affairs confirming the following:

1. (a) the ten million (10,000,000) shares without nominal or par value in the capital of the Company be and they are hereby designated as common shares without nominal or par value; and
(b) the capital of the Company be and it is hereby increased by the creation of one million (1,000,000) preferred shares with the par value of Ten dollars (\$10) each, issuable in series, which class of shares is hereafter referred to as the "Preferred Shares".
2. The Preferred Shares as a class shall have attached thereto the following preferences, rights, restrictions, conditions, limitations and prohibitions, that is to say:—
 - (a) The Preferred Shares may at any time and from time to time be issued in one or more series, each series to consist of such number of shares as may, before the issue thereof, be determined by resolution of the board of directors of the Company.
 - (b) The board of directors of the Company shall (subject as hereinafter provided), by resolution duly passed before the issue of the Preferred Shares of each series, fix the designation, rights, restrictions, conditions, limitations and prohibitions to be attached to the Preferred Shares of such series, including, but without in any way limiting or restricting the generality of the foregoing, the rate or amount of preferential dividends and whether such dividends shall be cumulative or non-cumulative, the date or dates and places of payment thereof, the date or dates from which such preferential dividends shall accrue, the rights of the Company to purchase the same and to redeem the same out of capital pursuant to the provisions of subsection (3) of section 49 of the Canada Corporations Act or to purchase the same and to redeem the same pursuant to the provisions of section 61 of the said Act, the consideration and the terms and conditions of any such purchase or redemption, conversion rights, if any, the terms and conditions of any share purchase plan or sinking fund and the restrictions, if any, respecting payment of dividends on any shares ranking junior to the Preferred Shares, the whole subject to the issue of supplementary letters patent setting forth the designation, rights,

restrictions, conditions, limitations and prohibitions to be attached to the Preferred Shares of such series.

- (c) The Preferred Shares of each series shall, with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs, be entitled to preference over the common shares of the Company and over any other shares ranking junior to the Preferred Shares and the Preferred Shares of each series may also be given such other preferences over the said common shares and any other shares ranking junior to the Preferred Shares as may be determined as to the respective series authorized to be issued.
- (d) The Preferred Shares of each series shall rank on a parity with the Preferred Shares of every other series with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs.
- (e) No dividends (other than stock dividends in shares of the Company ranking junior to the Preferred Shares) shall at any time be declared or paid on or set apart for payment on the common shares or on any other shares of the Company ranking junior to the Preferred Shares unless all dividends up to and including the dividend payment for the last completed period for which such dividends shall be payable on each series of the Preferred Shares then issued and outstanding shall have been declared and paid or set apart for payment at the date of such declaration or payment or setting apart for payment on the common shares or such other shares of the Company ranking junior to the Preferred Shares; nor shall the Company call for redemption or purchase for cancellation any of the Preferred Shares (less than the total number of Preferred Shares then outstanding) or any shares of the Company ranking junior to the Preferred Shares unless all dividends up to and including the dividends which shall then be payable on each series of the Preferred Shares then issued and outstanding shall have been declared and paid or set apart for payment at the date of such call for redemption or purchase.
- (f) The holders of the Preferred Shares shall not, as such, be entitled as of right to subscribe for or to purchase or receive the whole or any part of any shares, bonds, debentures or other securities or any rights to acquire the same, which may from time to time be issued by the Company except in accordance with any conversion rights set forth in the rights, restrictions, conditions, limitations and prohibitions attaching to the Preferred Shares of any series.
- (g) The holders of the Preferred Shares shall not be entitled as such (except as hereinafter specifically provided or as otherwise provided in any series) to receive notice of or to attend any meeting of the shareholders of the Company or to vote at any such meeting unless and until the Company from time to time shall fail to pay in the aggregate six (6) quarterly dividends on the Preferred Shares of any series payable on a quarterly basis on the Preferred Shares of any series on the dates on which the same should be paid according to the terms thereof and unless and until six quarterly dividends on such shares shall remain outstanding and be unpaid whether or not consecutive and whether or not such dividends have been declared and whether or not there are any moneys of the Company properly applicable to the payment of dividends; thereafter but only so long as any dividends on the Preferred Shares of any series remain in arrears the holders of the Preferred Shares shall be entitled to receive notice of and to attend all meetings of shareholders of the Company and shall be entitled to one

(1) vote in respect of each Preferred Share held and in addition shall be entitled, voting separately and as a class, to elect three (3) directors of the Company. Nothing herein contained shall be deemed to limit the right of the Company from time to time to increase or decrease the number of its directors.

Notwithstanding anything contained in the by-laws of the Company, all directors of the Company in office at any time when the right to elect directors shall accrue to the holders of Preferred Shares as herein provided, or who may be elected as directors thereafter and before a meeting of shareholders hereinafter referred to, shall retire at the next annual meeting of shareholders or at a general meeting of shareholders which may be held for the purpose of electing directors at any time after the accrual of such right without prejudice to their right to stand for re-election. Any such general meeting of shareholders to elect directors may be called upon not less than fourteen (14) days' written notice and shall be called by the secretary of the Company upon the written request of the holders of record of at least one-tenth (1/10th) of the outstanding Preferred Shares. In default of the calling of such general meeting by the secretary within ten (10) days after the making of such request, such meeting may be called by any holder of record of Preferred Shares. Any vacancy occurring among members of the board elected to represent the holders of Preferred Shares in accordance with the foregoing provisions may be filled by the board of directors with the consent and approval of the remaining director or directors elected to represent the holders of Preferred Shares. If there be no such remaining director, the board may elect or appoint sufficient holders of Preferred Shares to fill the vacancies. Whether or not such vacancy or vacancies is or are filled by the board, the holders of record of at least one-tenth (1/10th) of the outstanding Preferred Shares shall have the right to require the secretary of the Company to call a meeting of the holders of Preferred Shares for the purpose of filling the vacancy or vacancies and the provisions of this paragraph shall apply with respect to the calling of any such meeting.

Notwithstanding anything contained in the by-laws of the Company (i) upon any termination of the voting rights of the holders of the Preferred Shares, the term of office of the directors elected to represent the holders of Preferred Shares shall forthwith terminate and (ii) the holding of one (1) Preferred Share shall be sufficient to qualify a person for election or appointment as a director of the Company to represent the holders of Preferred Shares.

- (h) The provisions of paragraphs (a) to (g) inclusive, of this paragraph (h) and of paragraph (i) or any of them may be deleted, varied, modified, amended or amplified by supplementary letters patent but only with the prior approval of the holders of the Preferred Shares given as hereinafter specified in addition to any other approval required by the Canada Corporations Act.
- (i) The approval of the holders of the Preferred Shares with respect to any and all matters referred to herein may be given by compromise or arrangement under the Canada Corporations Act or may be given in writing by the holders of not less than two-thirds ($\frac{2}{3}$) of the Preferred Shares for the time being outstanding or by resolution duly passed and carried by not less than two-thirds ($\frac{2}{3}$) of the votes cast on a poll at a meeting of the holders of the Preferred Shares duly called and held for the purpose of considering the subject matter of such resolution and at which holders of not less than a majority of all Preferred Shares then outstanding are present in person or represented by proxy in accordance with the by-laws of the Company; provided, however, that, if at any such meeting, when originally held, the holders of at least a majority of all Preferred Shares then outstanding are not present in person or so represented by proxy within thirty (30) minutes after the time fixed for the meeting, then the

meeting shall be adjourned to such date, being not less than fifteen (15) days later, and to such time and place as may be fixed by the chairman of such meeting and, at such adjourned meeting, the holders of Preferred Shares present in person or so represented by proxy, whether or not they hold more or less than a majority of all Preferred Shares then outstanding, may transact the business for which the meeting was originally called, and a resolution duly passed and carried thereat by not less than two-thirds ($\frac{2}{3}$) of the votes cast on a poll at such adjourned meeting shall constitute the approval of the holders of the Preferred Shares hereinbefore mentioned. Notice of any such original meeting of the holders of the Preferred Shares shall be given not less than fourteen (14) days prior to the date fixed for such meeting and shall specify in general terms the purpose for which the meeting is called, and notice of any such adjourned meeting shall be given not less than ten (10) days prior to the date fixed for such adjourned meeting, but it shall not be necessary to specify in such notice the purpose for which the adjourned meeting is called. The formalities to be observed with respect to the giving of notice of any such original meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed in the by-laws of the Company with respect to meetings of shareholders. On every poll taken at any such original meeting or adjourned meeting the holders of Preferred Shares present in person or so represented by proxy shall be entitled to one (1) vote in respect of each Preferred Share held by each of such holders respectively.

B. The directors and officers of the Company be and they are hereby authorized and directed to do, sign and execute all things, deeds and documents necessary or desirable for the due carrying out of the foregoing.

ENACTED this 8th day of May, 1969.

R. M. P. HAMILTON
President

C.S.

C. D. LLOYD
Secretary

AR24

PRESIDENT'S REMARKS TO ANNUAL MEETING
(OF)
TOROMONT INDUSTRIAL HOLDINGS LTD.

JUN 23 1969

Mr. Chairman, and Gentlemen:

May I say how much we appreciate your attendance here this morning.

The Annual Report, (and) the Statements for the first quarter of this year give you the financial situation of the Toromont Group. You will be interested in some of the more important aspects of your company which Financial Statements cannot illustrate.

"Toromont" means Eight Companies

To responsibly operate these eight companies, it is essential to have first-class staff, and a Headquarters, working with their opposite numbers in the producing companies.

Toromont now has the Head Office capability to plan with Perspective and Expand with competence. Your new president, Mr. Sinclair, with the four new Vice-Presidents working closely with the officers of the producing companies sum up to the most important "acquisition" Toromont has made.

Much has been accomplished in the past year. The key to these accomplishments is the calibre and devotion to duty of the newly acquired Toromont Staff, as shown in the Annual Report. They total five people, exclusive of the President, including:-

Jim Saunders, who has taken the responsibility for all of Toromont's own Financial and Accounting activities while continuing to supervise these matters for Lloyd-Truax and act as consultant to Dillon and Clare.

Don Lloyd, who has continued his active interest as Vice-President of Lloyd-Truax while executing the corporate secretarial activities of Toromont, including our liaison with our legal advisers in the essential matters concerning two Financial Exercises and a major acquisition.

Brian Gardener-Evans, who has developed the Production Procedures at Lloyd-Truax, and developed the new plant specifications for "Bramalea", the plant reorganization at Dillon, and made a quick examination of Clare's subsidiary in the U.K.

Mr. Pharo, our newest Vice-President has joined an "active team" and his welcome is very real.

The question is often asked - "Why not divisions instead of separate companies"? My answer is that they are all profitable, - so no taxes are saved - and their product areas are different. To date, we have found no benefit to be derived from changing their company status as self-contained profit centres. We have commenced the appraisals of marketing co-operation and rationalizing of production, which may lead to the eventual integration of some facets of several companies.

Each of the producing companies is showing improvement. Dillon is being reorganized into a profitable position and the U.K. subsidiary of Clare is being segregated as a separate unit. Clare, El-Met, McFarren, and Viking have had their "best ever" first quarter results. Cimco (our newest and largest "producer") gives every evidence of having a good year. A summary statement reviewing our Fiscal Year will be read by our Secretary, Mr. Lloyd. These are some of the considerations which make us so happy to welcome Mr. Sinclair.

Good companies are now available for acquisition, and they are being considered within the twin bounds of Staff Time and Finances.

In the knowledge of their accomplishments within the past year, I am sure you will join with me in a very real sense of appreciation to the senior staff of Toromont and its producing subsidiaries for their loyal and effective work in the year to date.

Thank you,


R. M. P. Hamilton.

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale.
No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

NEW ISSUE

AR24

350,000 Shares

JUL 16 1969

Toromont Industrial Holdings Ltd.

(Incorporated under the Laws of Canada)

6½% Cumulative Redeemable Convertible Preferred Shares, Series A
(with the par value of \$10 per Share)

~~Fixed cumulative preferred cash dividend~~

AR24

TOROMONT INDUSTRIAL HOLDINGS LTD.

INTERIM REPORT
TO SHAREHOLDERS

SIX MONTHS ENDED JUNE 30, 1969

To the Shareholders

Net income from operations for the six months ended June 30, 1969, was \$29,565 compared to a net loss in the same period of 1968 of \$93,716.

The figure for the first six months of 1969 reflects earnings from the new subsidiary Cimco Limited only from the date of acquisition in April, 1969, to June 30, 1969. (See Note 1).

As appears from Note 2 to the following statements, the Company has disposed of its subsidiary, W. E. Dillon Co. Limited which, for the six months ended June 30, 1969, showed net earnings of \$9,666, as opposed to a loss of \$22,652 for the corresponding period in 1968.

We have delayed the distribution of this interim report in order to permit a re-appraisal of the prospects of two United Kingdom subsidiaries of Clare Brothers Limited.

The re-appraisal has now been completed and the management of your Company has concluded that they could not expect a profitable operation of the United Kingdom companies for at least two years and without a further investment in those companies of approximately \$500,000. The profitability of those companies would still be contingent upon the existence in the United Kingdom of economic conditions which cannot safely be predicted.

Your Company has therefore decided to proceed at once to an orderly liquidation of the businesses of the United Kingdom companies and it is estimated that the net loss on the liquidation will be approximately \$170,000.

The following financial statements as at June 30, 1969 do not include provision for such anticipated loss.

Plans for increased central control and supervision of the operating subsidiaries of the Company is receiving the immediate attention of your directors.

R. M. P. HAMILTON
Chairman

S. J. SINCLAIR
President

September 25, 1969

TOROMONT INDUSTRIAL HOLDINGS LTD. and Subsidiaries

CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS

for the six months ended June 30, 1969
(with comparative figures for 1968)

UNAUDITED

	1969	1968
Sales	\$10,865,736	\$6,582,787
Cost of Sales	8,497,909	5,067,537
Gross Profit	2,367,827	1,515,150
Selling, general and administrative expenses	2,072,870	1,410,748
Operating profit	294,957	104,502
Provision for taxes on income	190,000	73,000
Profit before undernoted items	104,957	31,502
Interest on bank loan arranged to acquire shares of subsidiaries	57,566	128,199
Combined net income (loss)	47,391	(96,697)
Minority interest in income	17,826	2,981
Net income (loss) for period	29,565	(93,716)
Retained earnings, beginning of period	384,858	374,962
Retained earnings, end of period	\$ 414,423	\$ 281,246

Note: See attached notes.

**TOROMONT INDUSTRIAL HOLDINGS LTD.
and Subsidiaries**

**CONSOLIDATED STATEMENT OF SOURCE
AND APPLICATION OF FUNDS**

for the six months ended June 30, 1969

UNAUDITED

Source of Funds

From operations'

Combined net income for the period \$ 47,391

Charges to operations not requiring an outlay of funds

Depreciation and amortization of fixed assets 164,704

Provision for deferred income taxes 113,200

Funds provided from operations \$ 325,295

Increase in parent company bank loans 1,905,260

Capital stock issued 876,971

Long term debt assumed on acquisition of subsidiaries 495,056

Net increase in long-term debt of other subsidiaries 253,769

Minority interest in net assets on acquisition of subsidiary 276,831

Disposals of fixed assets 41,935

Sundry 1,811

4,176,928

Application of Funds

Net book value of fixed assets on acquisition of subsidiary 1,000,425

Other non-current assets of subsidiary acquired 203,858

Excess of cost of shares of subsidiary acquired over book value of underlying net assets on acquisition 478,650

Purchase of fixed assets 117,824

Dividends paid to minority shareholders 17,826

Redemption of preferred shares of a subsidiary 18,102

1,836,685

Increase in working capital during the period \$2,340,243

Note: Comparative figures for the six months ended June 30, 1968, have not been shown as they had not been developed on a consolidated basis for that period.

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale.
No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

NEW ISSUE

350,000 Shares

JUL 16 1969

AR24

Foromont Industrial Holdings Ltd.

(Incorporated under the Laws of Canada)

6½% Cumulative Redeemable Convertible Preferred Shares, Series A (with the par value of \$10 per Share)

Fixed cumulative preferred cash dividends at the rate of \$0.65 per share per annum as and when declared by the board of directors will be payable quarterly on the 15th day of January, April, July and October. Dividends will accrue from date of issue. The 6½% Cumulative Redeemable Convertible Preferred Shares Series A (the "Series A Convertible Preferred Shares") may not be redeemed prior to July 15, 1974. From July 15, 1974 to July 14, 1977 they may be redeemed at the amount paid up thereon plus a premium of 3%, from July 15, 1977 to July 14, 1980 at the amount paid up thereon plus a premium of 2%, and thereafter at the amount paid up thereon plus a premium of 1%, redemptions being subject to certain conditions as set out on page 7. The Company shall, subject to certain conditions, in each year, commencing in 1974, purchase for cancellation 2% of the aggregate par value of the greatest number of Series A Convertible Preferred Shares theretofore issued to the extent that such shares are available for purchase at a price not exceeding the amount paid up thereon plus one-half of the then current premium payable on redemption and plus costs of purchase; further particulars concerning the purchase fund are set out on page 7.

Conversion Privilege

The Series A Convertible Preferred Shares are to be convertible at any time up to the close of business on the dates set out below or, in the case of shares called for redemption, up to the close of business on the last business day prior to the date fixed for redemption, whichever is earlier, into Common Shares of the Company, as presently constituted, at the rates as follows:

Up to July 14, 1972.....	10 Common Shares for 3 Series A Convertible Preferred Shares
July 15, 1972 to July 14, 1975....	5 Common Shares for 2 Series A Convertible Preferred Shares
July 15, 1975 to July 14, 1979....	2 Common Shares for 1 Series A Convertible Preferred Share

Appropriate adjustments in the conversion privilege will be made in certain events including any subdivision, consolidation or reclassification of Common Shares or payment of stock dividends on Common Shares. Further particulars concerning the conversion privilege are set out on page 8.

Transfer Agent and Registrar

CROWN TRUST COMPANY, TORONTO AND MONTREAL

We, as principals, offer these Series A Convertible Preferred Shares subject to prior sale, if, as and when accepted by us and subject to the approval of all legal matters on our behalf and on behalf of the Company by Messrs. Borden, Elliot, Kelley & Palmer, Toronto.

PRICE: \$10 per share to yield 6½%

	Price to Public	Underwriting Commission	Proceeds to Company*
Per Share.....	\$10	\$0.55	\$9.45
Total.....	\$3,500,000	\$192,500	\$3,307,500

*Before deduction of expenses of issue estimated at \$40,000.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that interim share certificates, later exchangeable without cost for definitive certificates, will be available for delivery on or about July 15, 1969.

WISENER AND PARTNERS

COMPANY

LIMITED

220 BAY STREET, TORONTO 1

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HISTORY AND INCORPORATION

Toromont Industrial Holdings Ltd. (the "Company") was incorporated under the laws of Canada by Letters Patent dated January 31, 1961, with an authorized capital of 1,000,000 common shares of the par value of \$1 each. By Supplementary Letters Patent dated September 15, 1964, the then issued and outstanding 472,011 common shares and 527,989 unissued common shares of the par value of \$1 each were changed into shares without nominal or par value and the authorized capital of the Company was increased to 5,000,000 shares without nominal or par value.

By Supplementary Letters Patent dated April 20, 1965, each of the then authorized 5,000,000 common shares without nominal or par value (issued or unissued) was subdivided into two shares without nominal or par value, so that the authorized capital of the Company consisted of 10,000,000 common shares without nominal or par value (the "Common Shares").

By Supplementary Letters Patent dated June 5, 1969, the authorized capital of the Company was increased by the creation of 1,000,000 Preferred Shares with the par value of \$10 each, issuable in series, and by Supplementary Letters Patent dated June 27, 1969, 350,000 of the Preferred Shares were designated as 6½% Cumulative Redeemable Convertible Preferred Shares, Series A.

The head office of the Company is located at 1214 Lawrence Avenue West, Toronto, Ontario.

CAPITALIZATION

	Authorized	Outstanding March 31, 1969	Outstanding April 30, 1969	Amount outstanding as at April 30, 1969 after giving effect to this financing
CURRENT BANK ADVANCES—Secured				
Toromont Industrial Holdings Ltd....		\$ 800,000 ⁽¹⁾	\$2,705,260 ⁽¹⁾	—
Subsidiaries.....		2,160,840 ⁽²⁾	2,347,385 ⁽²⁾	\$2,347,385 ⁽²⁾
LONG-TERM DEBT				
<i>F. B. McFarren Limited:</i>				
6% loan payable \$700 per month.....		1,900	1,200	1,200
Special Bank Loan—Secured, 7%.....		76,000 ⁽³⁾	76,000 ⁽³⁾	76,000 ⁽³⁾
8½% Capital Loan.....		6,750	6,040 ⁽⁴⁾	6,040 ⁽⁴⁾
<i>W. E. Dillon Co., Limited:</i>				
6½% mortgage payable November 15, 1970.....		50,000	50,000	50,000
6% Policy loan secured by cash surrender value of life insurance.....		6,000	6,000	6,000
<i>Lloyd-Truax Limited:</i>				
5½% loans repayable in equal instal- ments, 1969 and 1970.....		53,200	53,200	53,200
5% unsecured debentures payable in quarterly instalments to 1979.....		278,550	278,550	278,550
<i>Modern Handling Methods Limited</i> and its subsidiary, <i>El-Met-Parts Limited:</i>				
8½% Term loan.....		70,000	65,000	65,000
Policy loan secured by cash surrender value of life insurance.....		28,790	28,790	28,790
9% mortgage bond, repayable \$8,125 per quarter.....		73,125	65,000	65,000
9% Term loan ⁽⁵⁾		25,000	—	—
<i>Cimco Limited:</i>				
Term bank loan, secured by floating charge, due 1975.....			500,000	500,000
5½% sinking fund debentures, Series B, payable \$25,000 per annum, maturing 1971.....			75,000	75,000
Mortgages payable.....			19,756	19,756
<i>Clare Brothers Limited:</i>				
Purchase Agreements		45,680	45,680	45,680
MINORITY INTEREST IN SUBSIDIARIES				
CAPITAL STOCK:				
Preference shares of Lloyd-Truax Limited.....		388,747	388,747	388,747
Class A, Common shares and surplus of Cimco Limited.....			276,831	276,831
CAPITAL STOCK OF COMPANY:				
Preferred shares with the par value of \$10 each, issuable in series.....	1,000,000 Shs. (\$10,000,000)	—	—	—
6½% Cumulative Redeemable Con- vertible Preferred Shares, Series A...		—	—	350,000 Shs. (\$3,500,000)
Common shares without nominal or par value.....	10,000,000 Shs. ⁽⁶⁾	3,057,358 (\$4,100,513)	3,302,319 (\$4,933,380)	3,302,319 (\$4,933,380)

NOTES TO CAPITALIZATION TABLE:

- (1) These bank loans are secured by assignment of the shares of subsidiary companies.
- (2) These bank loans are secured by security on inventory given pursuant to section 88 of the Bank Act and assignments of receivables.
- (3) This bank loan is secured by a specific charge on certain assets and a first floating charge and is payable on demand.
- (4) Secured by an assignment of receivables.
- (5) This term loan is from a Canadian chartered bank, is payable \$5,000 monthly and is secured by a floating charge debenture.
- (6) Reference is made to "Options to Purchase Shares" on page 12.

NATURE OF BUSINESS

The Company is a holding company whose only assets, other than moneys in the bank and a nominal amount of office equipment, are all of the issued and outstanding shares of F. B. McFarren Limited, Modern Handling Methods Limited, Clare Brothers Limited, Viking Pump Company of Canada Limited, W. E. Dillon Co., Limited, Lloyd-Truax Limited and Cimco Limited, except 388,747 preference shares of Lloyd-Truax Limited and 6,064 common shares and 25,000 Class A participating preference shares of Cimco Limited. Details of the operations of the subsidiary companies are set out below.

SUBSIDIARY COMPANIES

The Company has seven principal subsidiary companies:

1. **F. B. MCFARREN LIMITED**—A private company incorporated under the laws of the Province of Ontario by Letters Patent dated April 18, 1929. This subsidiary manufactures and sells a high quality range of building bricks. It has its plant at Streetsville, Ontario. Control was acquired by Toromont Industrial Holdings Ltd. on April 22, 1963.

2. **MODERN HANDLING METHODS LIMITED**—Incorporated under the laws of the Province of Ontario by Letters Patent dated October 25, 1955. This subsidiary is a holding company which owns all of the issued shares of El-Met-Parts Limited. El-Met-Parts Limited has its office and plant at Dundas, Ontario, and manufactures magnetic cores for electric and electronic applications. Toromont Industrial Holdings Ltd. acquired control of Modern Handling Methods Limited on October 1, 1963.

3. **CLARE BROTHERS LIMITED**—Incorporated by Letters Patent of Canada dated February 27, 1903, under the name Clare Bros. & Co. (Limited). All of the issued shares of Clare Brothers Limited are held by Toromont Industrial Holdings Ltd. Clare Brothers Limited manufactures heating and air conditioning units at its plant at Preston, Ontario. Clare Brothers Limited has two wholly owned United Kingdom subsidiaries, James Smart Heating Limited (which in turn owns all of the issued shares of Canuk Warm Air Heating Supplies Ltd.) and Commandair Ltd. James Smart Heating Limited is engaged in the sale of heating appliances in the United Kingdom. Canuk Warm Air Heating Supplies Ltd. was engaged in the business of installing heating equipment but is now dormant. Commandair Ltd. is a United Kingdom company engaged in the manufacture of heating appliances. Toromont Industrial Holdings Ltd. first acquired a controlling interest in Clare Brothers Limited on July 14, 1964.

Clare Brothers Limited entered into an agreement dated as of December 2, 1968 with Moffat's Limited providing for the purchase from Moffat's Limited for a consideration of \$75,000 of rights, tools, jigs, fixtures and inventory relating to the manufacture of a line of heating units under the name "Janitrol".

4. **VIKING PUMP COMPANY OF CANADA LIMITED**—Incorporated under the Canada Companies Act by Letters Patent dated February 16, 1924. All of the issued shares of this company are owned by Toromont Industrial Holdings Ltd. Viking Pump Company of Canada Limited has its head office at Windsor, Ontario, where it manufactures rotary, centrifugal and turbine industrial pumps. The company has sales offices in Montreal, Toronto, Winnipeg and Vancouver and warehouse facilities at Vancouver and Winnipeg. Toromont Industrial Holdings Ltd. acquired control of Viking Pump Company of Canada Limited on June 3, 1965.

5. **W. E. DILLON CO., LIMITED**—Incorporated under the Companies Act of Ontario by Letters Patent dated May 30, 1906. This company carries on business at the Borough of East York, a suburb of Toronto and is a manufacturer of and contractor for sheet steel and other metal products. It produces custom sheet metal work in many varieties, using steel, stainless steel, aluminum, copper and light structural sections. It manufactures heavy plate electrical control cabinets; doors, frames and cabs for elevators; hollow metal doors, frames, fire doors, toilet compartments, door and wall louvres, etc. Toromont Industrial Holdings Ltd. acquired control of W. E. Dillon Co., Limited on November 15, 1965.

The Company has agreed in principle to sell all of the shares of W. E. Dillon Co., Limited beneficially owned by it to Dahlstrom Manufacturing Corporation of Jamestown, New York for a consideration of \$500,000 U.S. and 15,000 shares of Dahlstrom Manufacturing Corporation. Negotiations are presently

being conducted to settle the form, terms and conditions of a share purchase agreement in connection with this transaction. Until the negotiations have been completed, it is not possible to estimate the time of completion of the transaction. However, it is anticipated that an agreement will be settled on or about July 15, 1969 and that the transaction will be closed in late August or early September, 1969.

The book value of the shares of Dahlstrom Manufacturing Corporation at December 31, 1968, as determined from the audited financial statements of that company for the period ended December 31, 1968, was \$26.69 (U.S.). The 15,000 shares of Dahlstrom Manufacturing Corporation to be issued to the Company will represent approximately 4.6% of the issued and outstanding shares of that company.

6. LLOYD-TRUAX LIMITED—Incorporated by Letters Patent of Ontario dated May 2, 1963, amalgamating C. Lloyd & Son Limited and R. Truax Son & Company Ltd., which companies carried on businesses established in 1888, in the case of Lloyd, and 1867, in the case of Truax. There are presently issued and outstanding 388,747 preference shares of which none are owned by Toromont Industrial Holdings Ltd. and 126,320 common shares, all of which are owned by Toromont Industrial Holdings Ltd. This company operates plants at Wingham and Walkerton in Ontario and owns and operates a warehouse and office in Toronto. It manufactures wooden doors of all descriptions. Toromont Industrial Holdings Ltd. acquired control of Lloyd-Truax Limited on December 15, 1965.

7. CIMCO LIMITED—Incorporated under the Canada Companies Act by Letters Patent dated February 27, 1913.

On April 18, 1969, Toromont Industrial Holdings Ltd. acquired 54,436 of the 60,500 issued common shares and has undertaken to offer to acquire the remainder on substantially the same terms.

The company name was changed by Supplementary Letters Patent dated June 30, 1967, from Canadian Ice Machine Company Limited to Cimco Limited.

Original purpose of the company at the time of founding was to manufacture ice-making equipment and install it in ice plants across Canada. The business has grown rapidly as other applications of mechanical cooling were developed. Meat packers, vegetable and poultry processors, dairies and breweries are just a few of the many users of such refrigeration services.

Today, Cimco Limited installations make use of the techniques of heat transfer in all their many forms plus process piping, millwrighting and all the related products and services required for integrated mechanical systems.

Cimco Limited's head office and plant are located at 65 Villiers Street, Toronto, and facilities are strategically located from coast to coast.

During the first half of 1969 labour disputes have disrupted work on some of the Cimco Limited contracts. Recently negotiations were completed which resulted in labour rates higher than provided for in contract estimates. These factors may result in a decrease in the projected profits on contracts currently in progress, and due to Cimco Limited's practice of taking profits on progress billings into income based on estimated costs, the effect of these labour disputes and higher labour costs will to some extent apply to 1969 operating results. The ultimate effect of the above cannot be determined at this time.

PURPOSE OF ISSUE

The estimated net proceeds to be derived by the Company from the sale of the Series A Convertible Preferred Shares amounting to \$3,267,500 will be applied to retire bank loans aggregating approximately \$2,700,000 obtained by the Company from its bankers. \$1,905,260 of such loans was incurred for the purpose of financing the acquisition by the Company of 54,436 common shares of Cimco Limited and the balance of approximately \$800,000 represents the balance outstanding at December 31, 1968 of bank loans incurred in respect of previous acquisitions of the subsidiaries of the Company. The balance of the proceeds will be added to the working capital of the Company and will be available to defray the cost of acquiring the outstanding minority interest in the common shares of Cimco Limited.

ACQUISITION COSTS

The 54,436 common shares of Cimco Limited owned by the Company were acquired at a closing held on April 18, 1969 from five shareholders of Cimco Limited for an aggregate consideration of \$2,738,127 (not including acquisition costs). Under the purchase agreements the price has been paid or provided for as follows:

By cash paid on closing (\$35 per share).....	\$1,905,260
By issue of 244,961 fully paid and non-assessable common shares of the Company to the vendors.....	832,867
Total purchase price.....	<u>\$2,738,127</u>

In addition to the common shares of Cimco Limited owned by the Company, there are outstanding 6,064 common shares of Cimco Limited held by some 60 minority shareholders. The Company has undertaken to make an offer to acquire the 6,064 common shares of Cimco Limited from the minority shareholders upon terms not less favourable than those under which the Company has acquired the said 54,436 common shares of Cimco Limited presently owned by it.

DIVIDEND COVERAGE

Maximum annual dividend requirements on the Series A Convertible Preferred Shares will amount to \$227,500 per annum, but such requirements will decrease as preferred shares are purchased for cancellation or redeemed by the Company or are converted by the holders thereof into common shares of the Company. In the five years ended December 31, 1968 consolidated net earnings of the Company and its subsidiaries before interest on parent company bank loans and extraordinary items of income and expense, but after deducting minority interests in earnings as they existed at December 31, 1968 (preferred share dividend requirements of a subsidiary), averaged \$239,328 per annum. After adding the earnings of Cimco Limited and its subsidiaries, the average consolidated net earnings for the same period and calculated on the same basis (deducting minority interests as they existed at December 31, 1968 for Toromont subsidiaries and minority interests in Cimco Limited after acquisition of 90% of the common shares of that company) would have been \$451,693 per annum. The foregoing amounts represent 1.05 times and 1.99 times, respectively, the maximum annual dividend requirements of the Series A Convertible Preferred Shares.

ASSET COVERAGE

The consolidated net tangible assets of the Company (before deducting the aggregate par value of the Series A Convertible Preferred Shares to be outstanding upon completion of this financing) as at March 31, 1969, as shown by the accompanying pro forma balance sheet on pages 14 and 15, were as follows:

TOTAL ASSETS.....	\$17,479,221	
Less: Deferred charges and intangibles.....	<u>1,693,120</u>	\$15,786,101
TOTAL LIABILITIES.....		<u>8,628,584</u>
CONSOLIDATED NET TANGIBLE ASSETS.....		<u>\$ 7,157,517</u>

The consolidated net tangible assets as at March 31, 1969 represent \$20.45 for each Series A Convertible Preferred Share with the par value of \$10 each to be outstanding upon completion of this financing.

SHARES OF THE COMPANY

The following is a summary description of the Preferred Shares, the Series A Convertible Preferred Shares and the Common Shares of the Company.

Preferred Shares

The authorized capital of the Company includes 1,000,000 Preferred Shares with the par value of \$10 each. The Preferred Shares may be issued from time to time in one or more series, each series to consist of such number of shares as may be determined by the directors of the Company. Subject to certain limitations the directors may fix the provisions attaching to the Preferred Shares of each series.

The Preferred Shares are entitled to preference over the Common Shares with respect to priority in payment of dividends and in the distribution of assets on the liquidation, dissolution or winding up of the Company. The Preferred Shares do not have any voting rights nor are the holders entitled to receive notice of or

to attend meetings of shareholders unless dividends on the Preferred Shares of any series become in arrears to the extent of six quarterly dividends, whereupon, until all arrears of dividends have been paid, such holders will be entitled to receive notice of and attend all meetings of shareholders, to one vote in respect of each Preferred Share held and, voting separately and as a class, to elect three directors of the Company. No dividends (other than stock dividends in shares of the Company ranking junior to the Preferred Shares) shall at any time be declared or paid on or set apart for payment on the Common Shares or on any other shares of the Company ranking junior to the Preferred Shares unless all dividends up to and including the dividend payment for the last completed period for which such dividends shall be payable on each series of the Preferred Shares then issued and outstanding shall have been declared and paid or set apart for payment at the date of such declaration or payment or setting apart for payment on the Common Shares or such other shares of the Company ranking junior to the Preferred Shares; nor shall the Company call for redemption or purchase for cancellation any of the Preferred Shares (less than the total number of Preferred Shares then outstanding) or any shares of the Company ranking junior to the Preferred Shares unless all dividends up to and including the dividends which shall then be payable on each series of the Preferred Shares then issued and outstanding shall have been declared and paid or set apart for payment at the date of such call for redemption or purchase.

Series A Convertible Preferred Shares

The 350,000 6½% Cumulative Redeemable Convertible Preferred Shares, Series A have, among other provisions, provisions to the following effect attached thereto in addition to the provisions attached to the Preferred Shares as a class:

1. *Dividends:* The holders of Series A Convertible Preferred Shares are entitled to receive, and are limited to, fixed cumulative preferential cash dividends at the rate of 6½% per share per annum payable in quarterly instalments on the 15th day of January, April, July and October.

2. *Rights on Liquidation:* In the event of liquidation, dissolution or winding up of the Company or any other distribution of assets of the Company for the purpose of winding up its affairs, the holders of the Series A Convertible Preferred Shares are entitled to receive the amount paid up thereon plus all accrued and unpaid preferential dividends before any amounts are paid or any property or assets of the Company are distributed to the holders of any shares of the Company ranking junior to the Series A Convertible Preferred Shares; thereafter the holders of the Series A Convertible Preferred Shares are not entitled to share in any further distribution of the property or assets of the Company.

3. *Purchase for Cancellation:* Subject to the relevant provisions attaching to the Preferred Shares, as a class, the Company is permitted at any time or times to purchase in the market (if obtainable) for cancellation all or any part of the Series A Convertible Preferred Shares at a price per share not exceeding the amount paid up thereon plus accrued and unpaid dividends and costs of purchase.

4. *Redemption:* Subject to the relevant provisions attaching to the Preferred Shares, as a class, after July 14, 1974 the Series A Convertible Preferred Shares are redeemable at the option of the Company, in whole at any time or in part from time to time, on not less than 30 days' notice, at a redemption price equal to the amount paid up thereon plus a premium of the following percentages of the amount paid up thereon:

3% if redeemed on or before July 14, 1977;

2% if redeemed on or before July 14, 1980; and

1% if redeemed thereafter

plus all accrued and unpaid preferential dividends thereon to the date of redemption.

5. *Purchase Fund:* Subject to the relevant provisions attaching to the Preferred Shares, as a class, the Company is required in the 12 months commencing July 15, 1974 and, subject as hereinafter provided, in each 12 month period thereafter to set aside on the books of the Company to the credit of a purchase fund account for the Series A Convertible Preferred Shares an amount or amounts of money equal to 2% of the aggregate par value of the greatest number of Series A Convertible Preferred Shares theretofore issued. The amounts from time to time at the credit of the purchase fund shall be applied by the Company to the purchase, subject to and in accordance with the provisions relating to purchase for cancellation set out above, of Series A Convertible Preferred Shares at prices not to exceed the lower of the market price of such Series A Convertible Preferred Shares plus costs of purchase or at a price equal to the par value of such Series A

Convertible Preferred Shares plus one-half ($\frac{1}{2}$) of the then prevailing redemption premium plus an amount equal to all dividends, if any, accrued on such Series A Convertible Preferred Shares up to the date of purchase and then remaining unpaid, whether or not earned or declared (which dividends, for such purpose, shall be calculated as if such dividends were accruing from day to day). The Company shall not be obligated to make any application of such money at the credit of the purchase fund account to the credit of the Series A Convertible Preferred Shares if and so long as such purchase would constitute a breach by the Company of the provisions of any trust indenture securing bonds, debentures or other securities of the Company or if and so long as such purchase would be contrary to any applicable law. Any amount of money set aside on the books of the Company in any such 12 month period which is not applied to the purchase of Series A Convertible Preferred Shares in such 12 month period by reason of any of the provisions attaching to the Series A Convertible Preferred Shares may be, at the option of the Company, but shall not be required to be, applied in any succeeding 12 month period, and if not so applied, such amount shall be released from the said account at the end of such 12 month period.

6. *Conversion Privilege:* The Series A Convertible Preferred Shares are convertible at any time up to the close of business on the dates set out below or, in the case of shares called for redemption, up to the close of business on the last business day prior to the date fixed for redemption, whichever is earlier, into Common Shares of the Company, as presently constituted, at the rates as follows:

Up to July 14, 1972.....	10 Common Shares for 3 Series A Convertible Preferred Shares
July 15, 1974 to July 14, 1975....	5 Common Shares for 2 Series A Convertible Preferred Shares
July 15, 1975 to July 14, 1979....	2 Common Shares for 1 Series A Convertible Preferred Share

The provisions attached to the Series A Convertible Preferred Shares provide for an appropriate adjustment to be made in the conversion privilege in the event of any subdivision or consolidation of Common Shares or change of Common Shares into a different class or classes of shares or payment of any stock dividend on Common Shares but except for such stock dividends no payment or adjustment will be made on account of any dividends on the Series A Convertible Preferred Shares converted or the Common Shares resulting from any conversion.

If the Company proposes to issue subscription warrants or other rights to purchase its shares to all holders of Common Shares, the Company is required to give at least 15 days' notice to all registered holders of Series A Convertible Preferred Shares of record on the date for the determination of the holders of Common Shares to be entitled to such warrants or rights.

Fractional shares will not be issued on any conversion but in lieu thereof the Company will issue bearer non-voting and non-dividend bearing fractional certificates entitling the bearers to receive fully paid shares on surrender of fractional certificates aggregating a whole number of such shares.

A holder of Series A Convertible Preferred Shares desiring to exercise the conversion right is required to give a signed notice in writing specifying the number of shares to be converted to the transfer agent for such shares at its principal office in either of the cities of Toronto or Montreal, or to such other transfer agent at such other place or places as the Company may from time to time appoint accompanied by the certificate or certificates for the shares to be converted. A new certificate for unconverted shares represented by the certificate or certificates surrendered will be issued to the holder at the expense of the Company and certificates for Common Shares resulting from the conversion will be issued to such holder or as he may direct on payment by such holder of any applicable security transfer taxes.

7. *Certain Restrictions:*

- A: No shares are to be created ranking prior to or on a parity with the Preferred Shares nor is the authorized amount of Preferred Shares to be increased without prior approval of the holders of the Series A Convertible Preferred Shares.
- B: Without prior approval of the holders of the Series A Convertible Preferred Shares, the Company is not permitted to issue any Preferred Shares in addition to the Series A Convertible Preferred Shares (in this paragraph called "additional shares") unless: (a) Consolidated Net Earnings for any period of 12 consecutive months out of the 18 months immediately preceding the date of issue of such additional shares shall have been at least equal to two (2) times the maximum annual dividend requirements on all the Preferred Shares to be outstanding immediately after such issue; and (b)

Consolidated Net Tangible Assets amount to at least two (2) times the aggregate par value of all the Preferred Shares to be outstanding immediately after such issue.

- C: Without prior approval of the holders of the Series A Convertible Preferred Shares, the Company is not permitted to redeem, purchase, reduce, or otherwise pay off any shares ranking junior to the Preferred Shares
- (a) unless all dividends, up to and including the dividend payable on the last preceding dividend payment date on all the Preferred Shares then issued and outstanding shall have been declared and paid or provided for, and
 - (b) if, after giving effect thereto, the aggregate amount of the capital paid up on the Common Shares and any other shares ranking junior to the Preferred Shares plus Consolidated Earned Surplus would be less than the aggregate par value of all Preferred Shares then outstanding.
- D: Without prior approval of the holders of the Series A Convertible Preferred Shares, the Company is not permitted to declare, pay or set apart any dividend (other than stock dividends in shares of the Company ranking junior to the Preferred Shares) on any Common Shares or any other shares of the Company ranking junior to the Preferred Shares unless all dividends, up to and including the dividend payable on the last preceding dividend payment date, on all the Preferred Shares then issued and outstanding shall have been declared and paid or provided for.

8. *Certain Definitions:* "Consolidated Net Earnings" is defined in effect to mean all the gross earnings and income of the Company and its Subsidiaries from all sources less all administrative, selling and operating charges and expenses of every character and all fixed charges of the Company and its Subsidiaries (but excluding gains or losses on the disposal of investments and fixed assets) arrived at on a consolidated basis in accordance with generally accepted accounting principles, after making due allowance for minority interests, if any, and after proper allowance for depreciation, depletion, amortization and taxes (including income taxes); the net earnings of any subsidiary for the purpose of this definition shall only include the net earnings of such Subsidiary from the date when such Subsidiary became a Subsidiary of the Company, subject as hereinafter provided;

If, at the time of determining Consolidated Net Earnings for any past period, the Company or any Subsidiary has acquired, is in the process of acquiring, or proposes to acquire, any property or any shares of any other company (sufficient with any shares of such other company already owned by the Company or a Subsidiary to result in such other company becoming a Subsidiary) and if the net proceeds of the then proposed issue of Preferred Shares are to be applied directly or indirectly towards the cost of or in reimbursement of the cost of the acquisition of such property or shares (as to which a resolution of the directors shall be conclusive and binding), then the net earnings or net losses of such property or such other company for the same period (calculated in accordance with the provisions herein contained respecting Consolidated Net Earnings) shall, if in the opinion of the Company's auditors the Company has access to data sufficient to enable such auditors to determine such net earnings or net losses, be treated as net earnings or net losses as the case may be in the computation of Consolidated Net Earnings;

"Consolidated Earned Surplus" is defined, in effect, to mean the Consolidated Net Earnings since January 31, 1961, less all dividends declared and/or paid (other than in shares of the Company) on all shares of all classes of the Company and all items which in accordance with generally accepted accounting principles are properly chargeable to earned surplus, the whole as determined on a consolidated basis in accordance with generally accepted accounting principles.

"Consolidated Net Tangible Assets" shall mean the excess of (A) the total of the following assets appearing on a consolidated balance sheet of the Company and its Subsidiaries prepared in accordance with generally accepted accounting principles:

- (i) lands, interests in lands, improvements, buildings, plant and equipment;
- (ii) all other physical assets;
- (iii) all current assets;
- (iv) all investments;
- (v) the refundable portion of any taxes; and
- (vi) any other assets which in accordance with generally accepted accounting principles may properly be grouped as tangible assets;

over (B) the total of all consolidated current liabilities of the Company and its Subsidiaries, minority interests in Subsidiaries, provision for retirement annuities of the Company and its Subsidiaries, long term debt of the

Company and its Subsidiaries and all other liabilities which in accordance with generally accepted accounting principles may properly be deducted as liabilities. In ascertaining Consolidated Net Tangible Assets the value of all assets which in accordance with generally accepted accounting principles may properly be classified as fixed assets shall be taken at the cost to the Company or a Subsidiary less proper allowance for depreciation, depletion and/or amortization.

9. *Approvals:* Any approval to be given by the holders of the Preferred Shares as a class, or by the holders of the Series A Convertible Preferred Shares may be given by compromise and arrangement under the Canada Corporations Act or by written instrument signed by not less than two-thirds ($\frac{2}{3}$) of the holders of the Preferred Shares or of the Series A Convertible Preferred Shares, as the case may be, then outstanding, or by a resolution carried by the affirmative vote of the holders of not less than two-thirds ($\frac{2}{3}$) of the Preferred Shares or of the Series A Convertible Preferred Shares, as the case may be, represented and voted at a meeting of such holders called for the purpose at which the holders of at least a majority of the Preferred Shares or of the Series A Convertible Preferred Shares, as the case may be, then outstanding are present or represented by proxy, or at an adjourned meeting where the adjournment was made by reason of such majority not being present or represented.

Common Shares

The rights of the holders of the Common Shares are subject to the prior rights and preferences attaching to the Preferred Shares, as a class, and the Preferred Shares Series A. Subject to the foregoing, the Common Shares are entitled to dividends as and when declared by the directors, enjoy full voting rights of one vote per Common Share at all meetings of the shareholders of the Company. Upon liquidation or distribution holders of the Common Shares are entitled to receive pro rata such assets of the Company as are distributable to shareholders. There are no pre-emptive or conversion rights attaching to the Common Shares.

As at April 30, 1969 there were outstanding 3,302,319 Common Shares all of which were fully paid and non-assessable.

PLAN OF DISTRIBUTION

Under an agreement dated July 10, 1969 between the Company and Wisener and Partners Company Limited (the "Underwriter") the Company has agreed to sell and the Underwriter has agreed to purchase the 350,000 Series A Convertible Preferred Shares of the Company offered by this prospectus at a price of \$10 per share and the Company has agreed to pay the Underwriter a commission of \$192,500. The purchase price is payable in cash against delivery of interim certificates for the Series A Convertible Preferred Shares, subject to the terms and conditions set out in the said agreement including the delivery of certain documents and favourable opinions of counsel, at a closing to be held on or about July 15, 1969. The Underwriter is obliged to take up and pay for all of the Preferred Shares Series A if any are taken up.

OFFICERS AND DIRECTORS

The officers and directors of Toromont Industrial Holdings Ltd. and their principal occupations for the past five years are as follows:

Officers

RICHARD COULTON BERKINSHAW, C.B.E., LL.D....	Honorary Chairman of Board	Consultant and Director of Companies.
34 Rosedale Road, Toronto, Ontario.		
WILFRED AUSTIN CURTIS, C.B.E., D.S.C., LL.D....	Deputy Chairman	President of W. A. Curtis Co. Ltd., insurance agents, and Director of Companies.
610 Avenue Road, Toronto, Ontario.		
ROBERT MCLEAN PRIOR HAMILTON.....	Chairman of the Board and Chief Executive Officer and Chairman of Executive Committee	Executive, Toromont Industrial Holdings Ltd.
333 Cortleigh Blvd., Toronto, Ontario.		
SELBY JAMES SINCLAIR.....	President	President, Western Tire & Auto Supply Ltd.
82 Crescent Road, Toronto, Ontario.		

WILLIAM MATHEWS VACY ASH, M.A.....	Vice-President.....	Consultant and Director of Companies.
76 Old Forest Hill Road, Toronto, Ontario.		
ANDRE MARCIL.....	Vice-President.....	President, Marcil Mortgage Corporation.
87 McCulloch Avenue, Outremont, P.Q.		
BRIAN JOSEPH GARDENER-EVANS.....	Vice-President, Production.....	Vice-President, Lloyd-Truax Limited
147 Brian Avenue, London, Ontario.		
WALTER LAFAYETTE PHARO.....	Vice-President, Development....	President, Cimco Limited
77 St. Clair Avenue East, Toronto, Ontario.		
CHARLES DONALD LLOYD.....	Vice-President, Corporate.....	Executive, Lloyd-Truax Limited
4 Sheffield Crescent, Weston, Ontario.	Affairs and Secretary	
JAMES FRANKLIN SAUNDERS.....	Vice-President and Treasurer....	Executive, Toromont Industrial Holdings Ltd.
272 Leopold Street, Wingham, Ontario.		
WILLIAM TAYLOR.....	Assistant Secretary-Treasurer...	Executive, Toromont Industrial Holdings Ltd.
Apt. 516, 3000 Dufferin Street, Toronto, Ontario.		

Directors

WILLIAM MATHEWS VACY ASH, M.A.....	Consultant and Director of Com- panies.
76 Old Forest Hill Road, Toronto, Ontario.	
DAVID CAMPBELL BARBER.....	President, Precision Castings Ltd.
27 Dunloe Road, Toronto, Ontario.	
RICHARD COULTON BERKINSHAW, C.B.E., LL.D.....	Consultant and Director of Com- panies.
34 Rosedale Road, Toronto, Ontario.	
PETER LOUIS BROWNE.....	President of the Company to May 31, 1968, now Financial Consultant.
42 Scarborough Crescent, Scarborough, Ontario.	
HAROLD ROY CRABTREE.....	Chairman and President, Wabasso Ltd.
2055 Peel Street, Montreal, P.Q.	
WILFRED AUSTIN CURTIS, C.B.E., D.S.C., LL.D.....	President, W. A. Curtis Co. Ltd., insurance agents, and Director of Companies.
619 Avenue Road, Toronto, Ontario.	
ROBERT McLEAN PRIOR HAMILTON.....	Executive, Toromont Industrial Holdings Ltd., and Director of Companies.
333 Cortleigh Blvd., Toronto, Ontario.	
ALFRED THOMAS HUNT.....	Director of Companies; up to 1968 Chairman of the Board, Gestetner (Canada) Ltd.
130 Old Forest Hill Road, Toronto, Ontario.	
SELBY JAMES SINCLAIR.....	President, Western Tire and Auto Supply Ltd.
82 Crescent Road, Toronto, Ontario.	

JOHN ROBERTSON YARNELL..... 109 Sunnyside Avenue, Westmount, P.Q.	President, Consolidated-Bathurst Ltd. Prior to 1966, Chairman and President of Inspiration Limited.
ANDRE MARCIL..... 360 St. James St. West, Montreal, P.Q.	President, Marcil Mortgage Corporation.
NORMAN GARY VAN NEST..... 11 The Kingsway, Toronto 18, Ontario.	Director, Wisener and Partners Com- pany Limited (Investment Dealers). Prior to 1967 investment dealer with Royal Securities Corporation.
GENERAL SIR NEIL METHUEN RITCHIE, G.B.E., K.C.B., D.S.O., M.C.... 34 King Street East, Toronto, Ontario.	Chairman of the Board, and for- merly President, Mercantile & Gen- eral Reinsurance Company of Canada Ltd.
FRANK TRYSMAN SHERK..... 366 Bay Street, Toronto, Ontario.	Consultant and Director of Com- panies.
EDWARD CABELL WOOD..... Suite 1912, Royal Bank Bldg., Place Ville Marie, Montreal.	Chairman of the Board, Genstar Limited, and from 1964 to 1968, Consultant.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Hyphen Manufacturing Company Limited, of which Brian J. Gardener-Evans is a material shareholder, manufactures and sells aluminum inserts for combination doors to Lloyd-Truax Limited. During 1968 such sales amounted to an aggregate of approximately \$100,000.

Wisener and Partners Company Limited, of which Norman Gary Van Nest is a director and shareholder, received a commission of \$150,000 in connection with the private placement of Common Shares and Stock Purchase Warrants of the Company on December 6, 1968.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid by the Company and its subsidiaries to directors and senior officers of the Company during the financial year ended December 31, 1968 was \$88,657 and from January 1, 1969 to April 30, 1969 was \$30,072.

OPTIONS TO PURCHASE SHARES

(a) The Company has granted to certain employees of the Company and its subsidiaries incentive options to purchase 70,000 Common Shares of the Company at \$1.75 per share expiring September 21, 1971, of which 33,000 had not yet been exercised at April 22, 1969, and an option to purchase 3,500 Common Shares at \$2.76 per share expiring July 13, 1969. There are reserved for additional stock options which may be granted under the Company's incentive stock option plan an additional 2,250 Common Shares; and

(b) The Company has granted to a senior executive, Robert M. P. Hamilton, an option exercisable after June 1, 1969, and expiring May 31, 1972, to purchase 12,500 Common Shares of the Company at \$1.50 per share.

STOCK PURCHASE WARRANTS

In connection with the sale by private placement of 1,500,000 Common Shares of the Company on December 6, 1968, the Company issued Stock Purchase Warrants ("Warrants") to purchasers of the 1,500,000 Common Shares. The Warrants were issued under an Indenture dated November 29, 1968, entered into between Crown Trust Company, as Trustee, and the Company and entitle the holders to purchase in the aggregate 500,000 Common Shares of the Company, as presently constituted, at any time up to December 31, 1973. The purchase price of Common Shares issued upon exercise of the Warrants is \$2.25 per share until December 31, 1970, \$3.00 per share thereafter until December 31, 1972 and \$4.00 per share thereafter until the expiry date.

ESCROWED SHARES

Under the terms of agreements dated March, 1969 pursuant to which the Company purchased the 54,436 common shares of Cimco Limited now owned by it, the vendors of such shares have agreed to deposit in escrow the 244,961 Common Shares of the Company received by such vendors or their nominees in partial payment of the purchase price. The 244,961 escrowed Common Shares of the Company will be released in three equal instalments on the following dates—October 18, 1969, April 18, 1970 and October 18, 1970. Such escrow has been made with Crown Trust Company, Toronto, as depositary.

To the knowledge of the Company, no other shares of the Company are held in escrow.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business the only material contracts entered into by the Company or its subsidiaries within the two years prior to the date hereof which can reasonably be regarded as presently material to purchasers of the Series A Convertible Preferred Shares offered by this prospectus are the following:

- (a) An agreement between Cimco Limited and John Wheelwright Limited dated April 18, 1968, and an agreement between Cimco Limited and Traditional Interiors Limited dated May 3, 1968, for an addition to and remodelling of Cimco Limited's plant and offices for an aggregate consideration of \$707,889.
- (b) An agreement dated as of December 2, 1968 between Clare Brothers Limited and Moffat's Limited referred to under "Subsidiary Companies—Clare Brothers Limited" on page 4.
- (c) Under an agreement dated December 23, 1968, James Smart Heating Limited purchased the 40% interest in Commandair Ltd. not then owned by Clare Brothers Limited for a consideration of \$26,000 payable over five years without interest.
- (d) The underwriting agreement referred to under "Plan of Distribution" on page 10.
- (e) The Stock Purchase Warrant Indenture referred to under "Stock Purchase Warrants" on page 12.
- (f) Under an agreement dated December 15, 1965, the Company has undertaken to cause Lloyd-Truax Limited to redeem its outstanding preference shares at their par value in approximately equal quarterly instalments over a period of 12 years commencing in 1968. At March 31, 1969 the aggregate par value of such preference shares outstanding was \$388,747.
- (g) An agreement with Wisener and Partners Company Limited dated December 6, 1968 pursuant to which the Company issued 1,500,000 Common Shares and the stock purchase warrants referred to on page 12 for sale by private placement to institutional investors and other exempt purchasers.
- (h) Agreements dated March, 1969 between the Company and Canada Permanent Trust Company, Wesley L. B. Watts, Walter L. Pharo, Joseph Davis and Howard V. Shipley, respectively, pursuant to which the Company acquired the shares of Cimco Limited for the consideration set out under "Acquisition Costs" on page 6.

Copies of the foregoing contracts may be examined during normal business hours at the head office of the Company during the period of primary distribution of the securities offered by this prospectus and for a period of 30 days thereafter. In the event that the negotiations described in the second paragraph under "Subsidiary Companies—W. E. Dillon Co., Limited" on page 4 result in the execution of an agreement, a copy thereof will also be available for examination.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

The auditors of the Company are Touche, Ross, Bailey & Smart, Chartered Accountants, 200 University Avenue, Toronto, Ontario.

The transfer agent and registrar in respect of the Company's Series A Convertible Preferred Shares and Common Shares is Crown Trust Company at its principal offices in the cities of Toronto and Montreal.

TOROMONT INDUSTRIAL HOLDINGS LTD.
AND SUBSIDIARY COMPANIES

**Consolidated Balance Sheet and Pro Forma Consolidated Balance Sheet
as at March 31, 1969
(UNAUDITED)**

A S S E T S

	Consolidated balance sheet	Pro forma consolidated balance sheet (Note 1)
CURRENT ASSETS		
Cash.....	\$ 252,033	\$ 816,473
Accounts receivable, less provision for doubtful accounts.....	2,932,899	6,238,011
Inventories, at the lower of cost and net realizable value.....	4,182,302	4,587,160
Prepaid expenses.....	151,214	232,654
	<u>7,518,448</u>	<u>11,874,298</u>
OTHER ASSETS		
Special refundable tax.....	16,578	29,923
Cash surrender value of life insurance.....	53,289	70,253
Bills receivable, non-current.....	—	80,341
Investment in other companies, at cost.....	—	6,092
	<u>69,867</u>	<u>186,609</u>
FIXED ASSETS		
Land, at cost.....	79,077	94,190
Buildings and equipment, at cost.....	6,374,706	7,911,403
<i>Less accumulated depreciation.....</i>	<u>3,727,136</u>	<u>4,280,399</u>
	2,647,570	3,631,004
	<u>2,726,647</u>	<u>3,725,194</u>
DEFERRED CHARGES AND INTANGIBLES		
Patents, at cost less amortization.....	46,598	46,598
Goodwill, at cost.....	47,000	47,000
Commission on shares issued (Note 1).....	150,000	342,500
Financing cost (Note 1).....	—	40,000
Excess of cost of shares of subsidiaries over book value of underlying net assets at dates of acquisition.....	<u>705,280</u>	<u>1,217,022</u>
	948,878	1,693,120
	<u><u>\$11,263,840</u></u>	<u><u>\$17,479,221</u></u>

Approved on behalf of the Board

(Signed) P. L. BROWNE, Director

(Signed) R. M. P. HAMILTON, Director

TOROMONT INDUSTRIAL HOLDINGS LTD.
AND SUBSIDIARY COMPANIES

**Consolidated Balance Sheet and Pro Forma Consolidated Balance Sheet
as at March 31, 1969
(UNAUDITED)**

LIABILITIES

	Consolidated balance sheet	Pro forma consolidated balance sheet (Note 1)
CURRENT LIABILITIES		
Bank indebtedness		
Subsidiaries—secured (pro forma, secured except for \$469,366)...	\$ 2,160,840	\$ 2,630,206
Parent—secured (Note 1).....	800,000	—
Accounts payable and accrued liabilities.....	2,105,750	3,404,314
Taxes on income (Note 3).....	223,746	202,956
Dividends payable—subsidiaries.....	4,860	26,235
Estimated liability for guarantees.....	—	51,592
Long-term debt due within one year.....	172,710	271,782
	<u>5,467,906</u>	<u>6,587,085</u>
LONG-TERM DEBT, less current portion (Note 4).....	542,285	1,038,487
DEFERRED INCOME TAXES.....	347,132	333,349
MINORITY INTEREST IN CONSOLIDATED NET ASSETS.....	388,747	669,663
	<u>6,746,070</u>	<u>8,628,584</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Notes 1 and 5)		
Balance sheet—		
Authorized—10,000,000 common shares without par value		
Issued — 3,057,358 shares.....	4,100,513	—
Pro forma balance sheet		
Authorized— 1,000,000 preferred shares, par value \$10 each, issuable in series		
—10,000,000 common shares without par value		
Issued — 350,000 6½% cumulative, redeemable, convert- ible preferred shares, Series A.....	—	3,500,000
— 3,302,319 common shares.....	—	4,933,380
RETAINED EARNINGS.....	417,257	417,257
	<u>4,517,770</u>	<u>8,850,637</u>
COMMITMENTS (Note 6)		
	<u>\$11,263,840</u>	<u>\$17,479,221</u>

TOROMONT INDUSTRIAL HOLDINGS LTD.
AND SUBSIDIARY COMPANIES

Consolidated Statement of Earnings and Retained Earnings
for the five years ended December 31, 1968
and the three months ended March 31, 1969 and 1968
(Note 7)

	Year ended December 31					Three months ended March 31	
	1964	1965	1966	1967	1968	1968 (Unaudited)	1969 (Unaudited)
Sales.....	\$ 4,913,231	\$12,745,506	\$14,260,752	\$14,645,171	\$15,084,437	\$ 2,998,689	\$ 4,088,641
Earnings before undernoted items	\$ 341,094	\$ 883,635	\$ 1,067,259	\$ 703,284	\$ 930,730	\$ 73,348	\$ 197,449
Depreciation of fixed assets.....	76,169	193,409	227,172	276,664	282,137	72,229	72,293
Amortization of patents.....	6,361	6,411	7,771	4,944	4,944	1,320	1,536
Interest on long-term debt—sub- sidiaries.....	3,383	35,386	41,240	43,664	49,707	14,651	12,724
	85,913	235,206	276,183	325,272	336,788	88,200	86,553
Earnings (loss) before income taxes and undernoted items..	255,181	648,429	791,076	378,012	593,942	(14,852)	110,896
Provision for income taxes.....	105,603	317,328	401,462	198,716	347,439	—	61,924
Earnings (loss) before under- noted items.....	149,578	331,101	389,614	179,296	246,503	(14,852)	48,972
Interest on parent company bank loans to acquire subsidiaries..	23,171	81,551	170,715	191,339	255,510	61,468	15,615
Earnings (loss) before extraor- dinary items.....	126,407	249,550	218,899	(12,043)	(9,007)	(76,320)	33,357
Extraordinary items—gain or (loss)							
Gain on disposal of fixed assets, less related income taxes, \$25,000 in 1965.....	—	77,484	—	—	23,607	—	6,505
Gain on disposal of marketable securities.....	—	58,620	—	—	—	—	—
Proceeds from life insurance policy, less cash surrender value previously recorded..	—	—	—	—	29,323	—	—
Expenses in connection with share issues and public fi- nancing.....	(8,255)	—	(23,567)	—	(6,544)	—	(2,490)
Loss on devaluation of United Kingdom currency.....	—	—	—	(34,395)	—	—	—
Earnings (loss) before minority interest	118,152	385,654	195,332	(46,438)	37,379	(76,320)	37,372
Minority interest in earnings of subsidiaries (Note 7).....	42,611	151,796	40,723	23,025	27,483	1,787	4,973
Net earnings (loss) for the period	75,541	233,858	154,609	(69,463)	9,896	(78,107)	32,399
Retained earnings (deficit), be- ginning of period.....	(7,076)	68,465	302,323	456,932	374,962	374,962	384,858
	68,465	302,323	456,932	387,469	384,858	296,855	417,257
Organization expenses written off	—	—	—	12,507	—	—	—
Retained earnings, end of period	\$ 68,465	\$ 302,323	\$ 456,932	\$ 374,962	\$ 384,858	\$ 296,855	\$ 417,257

TOROMONT INDUSTRIAL HOLDINGS LTD. AND SUBSIDIARIES
and
CIMCO LIMITED AND SUBSIDIARIES

Pro Forma Statement of Combined Earnings
for the five years ended December 31, 1968
and the three months ended March 31, 1969 and 1968
(Notes 8, 9 and 10)

	Year ended December 31					Three months ended March 31	
	1964	1965	1966	1967	1968	1968 (Unaudited)	1969 (Unaudited)
Sales.....	\$23,789,938	\$27,402,250	\$34,755,133	\$32,058,125	\$30,564,303	\$ 5,781,934	\$ 7,293,366
Earnings before undernoted items	\$ 1,154,836	\$ 1,314,122	\$ 1,740,325	\$ 1,357,267	\$ 1,566,180	\$ 57,184	\$ 220,398
Depreciation of fixed assets.....	256,580	252,632	288,249	326,360	363,097	87,994	94,939
Amortization of patents.....	7,316	6,618	7,771	4,944	4,944	1,320	1,536
Interest on long-term debt.....	48,490	50,240	52,034	51,695	56,113	16,258	26,016
	312,386	309,490	348,054	382,999	424,154	105,572	122,491
Earnings (loss) before income taxes.....	842,450	1,004,632	1,392,271	974,268	1,142,026	(48,388)	97,907
Provision for income taxes (Note 9).....	404,797	509,636	714,050	513,194	645,796	(17,400)	55,224
Earnings (loss) before minority interest.....	437,653	494,996	678,221	461,074	496,230	(30,988)	42,683
Minority interest in earnings of subsidiaries, including preferred share dividend requirements (Note 8).....	50,693	55,455	66,751	69,443	67,363	7,809	8,344
Earnings (loss) before parent company dividend requirements..	386,960	439,541	611,470	391,631	428,867	(38,797)	34,339
Parent company dividend requirements (Note 8).....	227,500	227,500	227,500	227,500	227,500	56,875	56,875
Earnings (loss) applicable to common shares.....	\$ 159,460	\$ 212,041	\$ 383,970	\$ 164,131	\$ 201,367	\$ (95,672)	\$ (22,536)
Extraordinary and non-recurring items (Note 8) applicable to Toromont Industrial Holdings Ltd. and its subsidiaries, excluded from the above pro forma statement of combined earnings:							
Interest on bank loans to acquire subsidiaries.....	\$ 23,171	\$ 81,551	\$ 170,715	\$ 191,339	\$ 255,510	\$ 61,468	\$ 15,615
Other items—gain or (loss)—see Consolidated Statement of Earnings and Retained Earnings.....	(8,255)	136,104	(23,567)	(34,395)	46,386	—	4,015

TOROMONT INDUSTRIAL HOLDINGS LTD.
AND SUBSIDIARY COMPANIES

Notes to Financial Statements—March 31, 1969

Notes to Consolidated Balance Sheet and Pro Forma Consolidated Balance Sheet

1. BASIS OF CONSOLIDATION AND PRO FORMA TRANSACTIONS

The consolidated balance sheet includes the accounts of all subsidiaries at March 31, 1969, all of which are wholly-owned, except for minority holdings of preferred shares of one subsidiary.

The pro forma consolidated balance sheet gives effect at March 31, 1969 to

- (a) the acquisition of 54,436 of the 60,500 common shares of Cimco Limited for \$2,738,127 for the following consideration:
 - (i) cash obtained through temporary bank borrowings after March 31, 1969..... \$1,905,260
 - (ii) the issue of 244,961 shares of the common stock of Toromont at a price of \$3.40 per share.. 832,867

\$2,738,127

and the inclusion in the consolidation of the assets and liabilities of Cimco Limited and its subsidiaries;

- (b) the creation by Supplementary Letters Patent of 1,000,000 new preferred shares of Toromont, with a par value of \$10 each, and the issue and sale of 350,000 6½% cumulative, redeemable, convertible preferred shares, Series A at their par value of \$3,500,000.
- (c) the payment of a commission of \$192,500 to underwriters on the issue and sale of the preferred shares referred to in (b) above.
- (d) the payment of legal, audit and other expenses of the issue, estimated at \$40,000.
- (e) the retirement of the remaining balance of the company's bank loans, \$800,000, outstanding at March 31, 1969 relating to previous acquisitions of subsidiaries.
- (f) the retirement of the temporary bank loan of \$1,905,260 referred to in (a)(i) above.
- (g) the addition of the remaining net proceeds of the issue and sale of preferred shares to the general funds of the company.

2. EXCHANGE CONVERSION

The accounts of the United Kingdom subsidiaries have been translated into Canadian dollars on the following bases:

- (a) current assets and liabilities at the exchange rate prevailing at March 31, 1969;
- (b) fixed assets at the exchange rates in effect at dates of acquisition.

3. INCOME TAXES

Income tax returns of the company and four of its subsidiaries have been assessed for taxation years up to and including 1967. Of the remaining subsidiaries, income tax returns of Lloyd-Truax Limited and of Viking Pump Company of Canada Limited have been similarly assessed up to and including 1966, and Cimco Limited up to and including 1965.

Amounts provided for income taxes payable are considered to be adequate and no items are under dispute.

4. LONG-TERM DEBT

	Balance sheet	Pro forma balance sheet
F. B. McFarren Limited		
6% loan, repayable monthly.....	\$ 1,900	\$ 1,900
Special bank loan for capital purposes.....	76,000	76,000
8½% capital loan.....	6,750	6,750
Modern Handling Methods Limited and its subsidiary, El-Met-Parts Limited		
Term bank loans, repayable \$5,000 monthly.....	95,000	95,000
9% mortgage bond repayable in quarterly instalments of \$8,125.....	73,125	73,125
Policy loan secured by cash surrender value of life insurance.....	28,790	28,790
Clare Brothers Limited		
Purchase agreements.....	45,680	45,680
W. E. Dillon Co., Limited		
6½% mortgage payable November 15, 1970.....	50,000	50,000
Policy loan secured by cash surrender value of life insurance.....	6,000	6,000
Lloyd-Truax Limited		
5½% loans repayable in equal annual instalments, 1969 and 1970.....	53,200	53,200
5% unsecured debentures repayable in quarterly instalments to 1979.....	278,550	278,550
Cimco Limited and its subsidiaries		
Term bank loan, payable in instalments to 1975.....	—	500,000
5½% sinking fund debentures, repayable \$25,000 annually to 1971.....	—	75,000
Mortgage loans.....	—	20,274
	<u>714,995</u>	<u>1,310,269</u>
Less instalments due within one year, included in current liabilities.....	<u>172,710</u>	<u>271,782</u>
	<u>\$542,285</u>	<u>\$1,038,487</u>

5. CAPITAL STOCK

As at March 31, 1969, 51,400 shares of the company's common capital stock had been reserved for allotment under the Incentive Stock Option Plans for executives of the company and its subsidiaries, as follows:

- Options granted on 33,150 shares at \$1.75 per share, expiring September 21, 1971
- Options granted on 3,500 shares at \$2.76 per share, expiring July 13, 1969
- Options granted on 12,500 shares at \$1.50 per share, expiring May 31, 1972
- 2,250 shares reserved for options at \$1.75 per share

In addition, 500,000 shares of the company's common capital stock are reserved for issuance in accordance with the provisions of outstanding stock purchase warrants, which are exercisable on the following dates and at the following prices:

- at \$2.25 per share until December 31, 1970
- thereafter at \$3.00 per share until December 31, 1972
- thereafter at \$4.00 per share until December 31, 1973,
- when the warrants expire

6. COMMITMENTS

By the terms of an agreement with the minority preference shareholders of a subsidiary, Lloyd-Truax Limited, Toromont Industrial Holdings Ltd. has undertaken to cause that subsidiary to redeem the preference shares at their par value in approximately equal quarterly instalments over a period of 12 years commencing in 1968. At March 31, 1969, preference shares having an aggregate par value of \$388,747 were outstanding.

Consolidated Statement of Earnings and Retained Earnings

7. BASIS OF CONSOLIDATION

The consolidated statement of earnings and retained earnings includes the accounts of all subsidiaries from the dates of acquisition, except for the accounts of James Smart Heating Ltd. in the year ended December 31, 1965. All of the shares of this subsidiary were acquired late in 1965 by Clare Brothers Limited, a wholly-owned subsidiary of Toromont. The company's share of the loss of this subsidiary for 1965, \$3,127, has been included as a charge against consolidated earnings for that year.

In the period covered by the consolidated statement of earnings and retained earnings, the following acquisitions were made and the corresponding profits were taken up in consolidated earnings from the dates indicated:

Clare Brothers Limited	—July 14, 1964	W. E. Dillon Co., Limited—November 15, 1965
Viking Pump Company of Canada Limited—June 3, 1965		Lloyd-Truax Limited —December 15, 1965

The minority interest in earnings of subsidiaries includes pre-acquisition earnings of \$142,007 in 1965 and \$26,759 in 1964, relating in each case to the earnings of subsidiaries in the year of acquisition.

For purposes of the consolidation of the operating results of the United Kingdom subsidiaries for the period from January 1, 1966 to March 31, 1969 inclusive, the average rate of exchange prevailing in each year has been used.

Pro Forma Statement of Combined Earnings

8. COMPANIES INCLUDED AND ACCOUNTING PRESENTATION

The pro forma statement of combined earnings includes for the entire period indicated the accounts of all of the subsidiaries of Toromont Industrial Holdings Ltd. on the assumption that the 100% equity share ownership which applied at March 31, 1969 pertained throughout the period. It also includes the earnings of Cimco Limited and its subsidiaries on the assumption that the present 90% equity share ownership had applied throughout the period.

The minority interest in earnings of subsidiaries consists of the following for each year:

- (a) The preferred share dividend requirements of a subsidiary of Toromont, the preferred shares of which are held by minority shareholders.
- (b) The preferred share dividend requirements of Cimco Limited, the preferred shares of which are held by minority shareholders.
- (c) The 10% minority interest of the common shareholders of Cimco Limited.

Inasmuch as the preferred shares of Toromont which are the subject of this prospectus are being issued in part to retire the parent company bank loans, interest on parent company bank loans to acquire subsidiaries has been eliminated throughout the period covered by the pro forma statement of combined earnings, and the parent company preferred dividend requirement has been substituted in each of the periods. Also, to provide a more realistic comparison of the earnings for the period, other extraordinary and non-recurring gains and losses of Toromont and its subsidiaries have been eliminated in the pro forma combined earnings statements.

9. INCOME TAXES

The provision for income taxes has been adjusted to reflect the additional taxes that would have been payable had the companies been associated for income tax purposes throughout the period.

10. CIMCO LIMITED LABOUR NEGOTIATIONS

Subsequent to March 31, 1969 labour disputes disrupted work on some of the Cimco Limited contracts. Recently negotiations were completed which resulted in labour rates higher than provided for in contract estimates. These factors may result in a decrease in the projected profits on contracts currently in progress, and due to Cimco Limited's practice of taking profits on progress billings into income based on estimated costs, the effect of these labour disputes and higher labour costs will to some extent apply to the operating results for the three months ended March 31, 1969. The ultimate effect of the above cannot be determined at this time.

TOROMONT INDUSTRIAL HOLDINGS LTD.
AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet
as at December 31, 1968

A S S E T S

CURRENT ASSETS

Cash.....	\$ 245,310	
Accounts receivable, less provision for doubtful accounts.....	2,659,916	
Share subscriptions receivable.....	17,675	
Inventories, at the lower of cost and net realizable value.....	3,882,195	
Prepaid expenses.....	<u>82,957</u>	
		\$ 6,888,053

OTHER ASSETS

Special refundable tax.....	18,897	
Cash surrender value of life insurance.....	<u>52,699</u>	
		71,596

FIXED ASSETS

Land, at cost.....	<u>79,076</u>	
Buildings and equipment, at cost.....	6,357,209	
<i>Less</i> accumulated depreciation.....	<u>3,680,239</u>	
	<u>2,676,970</u>	
		2,756,046

DEFERRED CHARGES AND INTANGIBLES

Patents, at cost less amortization.....	47,834	
Goodwill, at cost.....	47,000	
Commission on shares issued.....	150,000	
Excess of cost of shares of subsidiaries over book value of underlying net assets at dates of acquisition.....	<u>705,280</u>	
		<u>950,114</u>
		<u>\$10,665,809</u>

Approved on behalf of the Board

(Signed) P. L. BROWNE, Director

(Signed) R. M. P. HAMILTON, Director

TOROMONT INDUSTRIAL HOLDINGS LTD.
AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet
as at December 31, 1968

LIABILITIES

CURRENT LIABILITIES

Bank indebtedness		
Subsidiaries—secured.....	\$ 2,084,253	
Parent—secured.....	800,000	
Accounts payable and accrued liabilities.....	1,615,318	
Taxes on income (Note 2).....	262,237	
Long-term debt, current portion.....	171,000	
	<hr/>	\$ 4,932,808

LONG-TERM DEBT, less current portion (Note 3)..... 590,960

DEFERRED INCOME TAXES..... 302,710

MINORITY INTEREST IN CONSOLIDATED NET ASSETS..... 397,798

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 4)

Authorized—10,000,000 common shares without par value	
Issued and fully paid—3,032,308 shares.....	4,056,675

RETAINED EARNINGS..... 384,858

4,441,533

COMMITMENTS (Note 5)

\$10,665,809

See notes to consolidated balance sheet.

TOROMONT INDUSTRIAL HOLDINGS LTD.
AND ITS SUBSIDIARIES

Notes to Consolidated Balance Sheet
December 31, 1968

1. BASIS OF CONSOLIDATION AND EXCHANGE CONVERSION

The consolidated balance sheet includes the accounts of all subsidiaries, all of which are wholly-owned, except for minority holdings of preferred shares of one subsidiary.

The accounts of the United Kingdom subsidiaries have been translated to Canadian dollars on the following bases:

- (a) current assets and liabilities at the exchange rate prevailing at December 31, 1968
- (b) fixed assets at the exchange rates in effect at dates of acquisition.

2. INCOME TAXES

Income tax returns of the company and four of its subsidiaries have been assessed for taxation years up to and including 1967. Of the remaining subsidiaries, income tax returns of Lloyd-Truax Limited and of Viking Pump Company of Canada Limited have been similarly assessed up to and including 1966, and Cimco Limited up to and including 1965.

Amounts provided for income taxes payable are considered to be adequate and no items are under dispute.

3. LONG-TERM DEBT

F. B. McFarren Limited	
6% loan, repayable monthly.....	\$ 4,000
Special bank loan for capital purposes.....	76,000
Modern Handling Methods Limited, and its subsidiary, El-Met-Parts Limited	
Term bank loans, repayable \$5,000 monthly.....	110,000
9% mortgage bond, repayable \$8,125 quarterly.....	81,250
Policy loan secured by cash surrender value of life insurance.....	28,790
Clare Brothers Limited	
Purchase agreements.....	67,680
W. E. Dillon Co., Limited	
6½% mortgage payable November 15, 1970.....	50,000
Policy loan secured by cash surrender value of life insurance.....	6,000
Lloyd-Truax Limited	
5½% loans repayable in equal instalments 1969 and 1970.....	53,200
5% unsecured debentures repayable in quarterly instalments to 1979.....	285,040
	<u>761,960</u>
Less instalments due within one year, included in current liabilities.....	171,000
	<u>\$590,960</u>

4. CAPITAL STOCK

As at December 31, 1968, 77,450 shares of the company's common capital stock had been reserved for allotment under the Incentive Stock Option Plans for executives of the company and its subsidiaries, as follows:

- Options granted on 58,200 shares at \$1.75 per share, expiring September 21, 1971
- Options granted on 3,500 shares at \$2.76 per share, expiring July 13, 1969
- Options granted on 12,500 shares at \$1.50 per share expiring May 31, 1972
- 3,250 shares reserved for options at \$1.75 per share

In addition, 500,000 shares of the company's common capital stock are reserved for issuance in accordance with the provisions of outstanding stock purchase warrants, which are exercisable on the following dates and at the following prices:

- at \$2.25 per share until December 31, 1970
- thereafter at \$3.00 per share until December 31, 1972
- thereafter at \$4.00 per share until December 31, 1973,
- when the warrants expire.

5. COMMITMENTS

By the terms of an agreement with the minority preference shareholders of a subsidiary, Lloyd-Truax Limited, Toromont Industrial Holdings Ltd. has undertaken to cause that subsidiary to redeem the preference shares at their par value in approximately equal quarterly instalments over a period of 12 years commencing in 1968. At December 31, 1968, preference shares having an aggregate par value of \$397,798 were outstanding.

AUDITORS' REPORT

To the Directors,

TOROMONT INDUSTRIAL HOLDINGS LTD.

We have examined the consolidated balance sheet of Toromont Industrial Holdings Ltd. and subsidiary companies as at December 31, 1968, the consolidated statement of earnings and retained earnings and the pro forma statement of combined earnings for the five years then ended. Our examination of the financial statements of Toromont Industrial Holdings Ltd. and of those subsidiaries of which we were the auditors at December 31, 1968 and for the five years then ended included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. To the extent that the above-mentioned financial statements incorporate financial data for Cimco Limited and its subsidiaries and financial data in respect of subsidiaries of Toromont Industrial Holdings Ltd. for 1964 and 1965 prior to our appointment as auditors, we have relied on the reports of the auditors who examined the financial statements for the companies and accounting periods involved.

In our opinion,

- (a) the accompanying consolidated balance sheet as at December 31, 1968 presents fairly the financial position of the companies at that date;
- (b) the accompanying consolidated statement of earnings and retained earnings presents fairly the results of operations of the companies for the five years ended December 31, 1968; and
- (c) the accompanying pro forma statement of combined earnings presents fairly the combined results of operations of the companies for the five years ended December 31, 1968, after giving effect to the adjustments and assumptions set out in Notes 8 and 9 thereto;

all in accordance with generally accepted accounting principles applied on a consistent basis.

Toronto, Ontario,
June 30, 1969.

(Signed) TOUCHE, ROSS, BAILEY & SMART
Chartered Accountants.

CIMCO LIMITED

and its subsidiaries

Consolidated Statement of Retained Earnings Five years ended December 31, 1968

	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
Balance at beginning of year.....	\$ 1,500,031	\$ 1,596,210	\$ 1,740,005	\$ 1,972,529	\$ 2,181,601
Net earnings for the year.....	<u>138,179</u>	<u>185,795</u>	<u>298,757</u>	<u>291,928</u>	<u>259,877</u>
	<u>1,638,210</u>	<u>1,782,005</u>	<u>2,038,762</u>	<u>2,264,457</u>	<u>2,441,478</u>
Dividends paid					
Class A.....	20,000	20,000	20,000	23,750	25,000
Common.....	<u>22,000</u>	<u>22,000</u>	<u>34,650</u>	<u>54,450</u>	<u>60,500</u>
	<u>42,000</u>	<u>42,000</u>	<u>54,650</u>	<u>78,200</u>	<u>85,500</u>
Loss on sale of subsidiary company...	—	—	—	4,656	—
Contracts, franchises and organiza- tion expenses written off.....	<u>—</u>	<u>—</u>	<u>11,583</u>	<u>—</u>	<u>—</u>
	<u>42,000</u>	<u>42,000</u>	<u>66,233</u>	<u>82,856</u>	<u>85,500</u>
Balance at end of year.....	<u>\$ 1,596,210</u>	<u>\$ 1,740,005</u>	<u>\$ 1,972,529</u>	<u>\$ 2,181,601</u>	<u>\$ 2,355,978</u>

NOTE:

Earnings differ from those reported in the annual financial statements principally because the method of accounting for deferred income taxes adopted in 1968 has been consistently applied throughout the five years ended December 31, 1968, and retained earnings at January 1, 1964 have been credited with \$232,104 for deferred income tax charges accumulated at that date.

To the Directors

TOROMONT INDUSTRIAL HOLDINGS LTD.

We have examined the consolidated statement of retained earnings of Cimco Limited and its subsidiaries for the five years ended December 31, 1968. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion this statement presents fairly the consolidated retained earnings of the company for the five years then ended in accordance with generally accepted accounting principles applied on a consistent basis.

Toronto, Ontario
April 25, 1969

(Signed) THORNE, GUNN, HELLIWELL & CHRISTENSON
Chartered Accountants

Purchaser's Statutory Rights of Withdrawal and Rescission

Sections 63 and 64 of The Securities Act, 1966 (Ontario) provide in effect, that where a security is offered to the public in the course of primary distribution:

- (a) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the vendor or his agent not later than midnight on the second business day after the prospectus or amended prospectus offering such security is received or is deemed to be received by him or his agent, and
- (b) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus or any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

Reference is made to the aforesaid Act for the complete text of the provisions under which the foregoing rights are conferred and the foregoing summary is subject to the express provisions thereof.

CERTIFICATES

DATED: July 10, 1969.

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder.

(Signed) R. M. P. HAMILTON
Chairman of the Board

(Signed) JAMES F. SAUNDERS
Treasurer

On behalf of the Board of Directors

(Signed) N. G. VAN NEST
Director

(Signed) P. L. BROWNE
Director

Underwriter

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder.

WISENER AND PARTNERS COMPANY LIMITED

By: (Signed) R. A. WISENER

The following includes the name of every person having an interest either directly or indirectly to the extent of not less than 5% in the capital of Wisener and Partners Company Limited: B. M. Benitz, T. A. W. Duncan, R. I. Hayden, A. D. C. Ruys De Perez, N. G. Van Nest, G. M. Webster, F. G. Weller and R. A. Wisener.

THE BOARD OF DIRECTORS

W. M. V. ASH, M.A.,
Toronto

Director,
Mercantile and General Reinsurance
Company Ltd.
Bank of Montreal
The Bell Telephone Co. of Canada
and other companies.

*DAVID C. BARBER, B.A.SC.,
Toronto

President,
Precision Castings Limited.

H. ROY CRABTREE, B.SC., LL.D.,
Montreal

Chairman and President,
Wabasso Limited
Director,
Bank of Montreal,
Sun Life Assurance Co.
and other companies.

*R. M. P. HAMILTON, P.ENG.,
Toronto

Chairman of the Board,
Toromont Industrial Holdings Ltd.

ALFRED T. HUNT,
Toronto

Formerly Chairman of the Board,
Gestetner (Canada) Limited.

ANDRE MARCIL,
Montreal

President,
Marcil Mortgage Corp.
Director,
Mercantile and General Reinsurance
Co. of Canada Ltd. and other
companies.

GENERAL SIR NEIL M. RITCHIE,
G.B.E., K.C.B., D.S.O., M.C.,
Toronto

*F. T. SHERK, INDUSTRIALIST,
Toronto

*S. J. SINCLAIR,
Toronto

*N. G. VAN NEST,
Toronto

EDWARD C. WOOD,
Montreal

* Members of Executive Committee.

HEAD OFFICE
335 Bay Street,
Toronto 1, Ontario

GENERAL COUNSEL
Borden, Elliot, Kelley and Palmer

AUDITORS
Touche Ross & Co.,
Chartered Accountants

TRANSFER AGENT AND
REGISTRAR
Crown Trust Co.,
Toronto and Montreal

BANKERS
The Royal Bank of Canada,
Toronto
Canadian Imperial Bank of Commerce,
Toronto

Chairman of the Board,
Mercantile and General Reinsurance
Company of Canada Ltd.,
Macdonald-Buchanan Properties
Limited.
Director,
Tanqueray-Gordon (Canada)
Limited.

Director,
Guaranty Trust Co. of Canada
Data Business Forms Ltd.
Consolidated Graphics Limited and
other companies.

President and Chief Executive Officer,
Toromont Industrial Holdings Ltd.

Vice-President and Director,
Wisener & Partners Company Limited.

Chairman of the Board,
Genstar Limited.
Director,
The Royal Bank of Canada
Texaco (Can.) Limited
Fraser Companies Limited and other
companies.

OFFICERS OF THE COMPANY

R. M. P. HAMILTON, P.ENG.,
Chairman of the Board

S. J. SINCLAIR
President and Chief Executive Officer

W. M. V. ASH, M.A.,
Vice-President

ANDRE MARCIL
Vice-President

C. D. LLOYD
Vice-President — Corporate Affairs & Secretary

PRESIDENT'S REPORT TO THE SHAREHOLDERS

The financial results for the year ended December 31, 1969 were disappointing. Consolidated earnings for the year were \$30,659, only slightly better than that reported in 1968.

During the year 1969, however, a number of transactions were completed which should prove significant in building long term growth in both sales and profits for your company. These included the sale of one of our subsidiary companies, W. E. Dillon Co. Ltd., which had been only marginally profitable; the termination of the U.K. operations of Clare Brothers Limited, which had been unprofitable for several years; and the acquisition of Cimco Limited, which is regarded as a leader in the Canadian refrigeration industry.

Unfortunately, during this year of major change in the operations and organization of your company, the activities of all our companies were adversely affected by the anti-inflationary, "tight money" policies introduced by the Federal Government in 1969. The year 1969 started off on a very optimistic note for each of our companies and the results of the first quarter gave every indication of a record year both for sales and earnings. This buoyant trend continued into the second quarter until the effects of the "tight money" policies began to cause a significant slow down in the economy and particularly in the construction industry. Because of substantial decreases in sales, accompanied in some cases by reductions in profit margins, it was necessary in the latter part of the year to cut back scheduled production at both Clare and Lloyd-Truax, so as to bring inventories into balance with the reduced sales demands. For these reasons, the financial results of both these companies showed a substantial decrease in 1969 from 1968. This, together with the estimated loss on termination of the Clare U.K. operations, and certain large abnormal expenses incurred in 1969, were the chief causes of the disappointing financial results of Toromont for the year 1969.

A more detailed review of 1969 follows.

ACQUISITION OF CIMCO

In April 1969, your company acquired 90% of the common shares of Cimco Limited from four of the principal shareholders. As required by the purchase agreement, your company subsequently, in October 1969, offered to purchase the balance of the common shares. As a result, a further 5,797 shares were

acquired and your company now owns 99.5% of the common shares of Cimco. The earnings of this subsidiary have been included in consolidated income for the period from May 1, 1969.

SALE OF W. E. DILLON CO. LIMITED

During the year, all the shares of W. E. Dillon Co. Limited, a wholly owned subsidiary, were sold to Dahlstrom Manufacturing Corp., for a consideration of \$500,000 (U.S.) and 15,000 common shares of that company's stock. The earnings of W. E. Dillon Co. Limited have been included in consolidated income for the period from January 1, to the effective date of sale, June 30, 1969. The shares of Dahlstrom Manufacturing Corp. have been valued at the book value of the shares of W. E. Dillon Co. Limited at June 30, 1969, less the cash portion of the consideration received.

TERMINATION OF CLARE UNITED KINGDOM OPERATIONS

As a result of the continued operating losses incurred by the United Kingdom subsidiaries of Clare Brothers Limited, your directors decided to place these companies in voluntary liquidation. Accordingly the operations of these companies were terminated on September 30, 1969, and it is expected that a final settlement with the creditors will be effected during 1970. It is estimated that the net loss on liquidation will amount to approximately \$185,000 which loss has been provided for in the accounts for 1969.

ISSUE OF PREFERRED SHARES

During the month of July 1969, the company created and issued 350,000 6½% cumulative redeemable convertible preferred shares, Series A, of the par value of \$10 per share. The proceeds of the issue amounting to approximately \$3,267,500 were used to retire bank loans of approximately \$2,700,000 and the balance of the proceeds was added to the working capital of the company.

CONSOLIDATED EARNINGS

An examination of the financial statements indicates that consolidated earnings before abnormal expenses and income taxes increased from \$705,942 in 1968 to \$1,202,224 in 1969, largely because of the inclusion of the Cimco earnings since acquisition. However, abnormal and extraordinary charges increased in the year to \$548,718 and in the end result net income for the year amounted to \$30,659 only a slight increase over 1968.

OUTLOOK FOR 1970

The outlook for 1970 is difficult to predict. As you know, a substantial part of the business of the Toromont group is concentrated in companies which are suppliers to the residential construction industry and as a result, the operations and earnings of these companies are subject to the wide cyclical swings which are traditional in that industry. In addition that industry is particularly sensitive to any changes in the availability and cost of money. As a result of the "tight money" policies introduced by the Federal Government in 1969, the construction industry went into a serious decline which continues to this date. One example of the current depressed state of the industry is evidenced by the fact that housing starts in the Toronto area are reported to be down in the first two months of 1970 by 77% compared with the same period in 1969.

Because of these depressed market conditions, it has again been necessary for us in the first quarter of 1970, to carry out major cut backs in the production schedules of our companies serving the construction industry. As a consequence, the financial results of your company for the first quarter of 1970 will show a substantial decrease from the first quarter of 1969, when the construction industry and its supplier companies were operating at close to capacity.

If there is not a significant easing in the Government's monetary policies within the near future, followed by a pick up in the economy generally and in the construction industry in particular, then 1970 could prove to be another difficult and marginally profitable year for Toromont.

LONG TERM OUTLOOK

Despite the disappointing financial results of Toromont for 1969, and the uncertain outlook for 1970, substantial progress has been made with respect to future years' operations. A number of serious problems have been overcome and we are in the final stages of completing an analysis and re-appraisal of the organization, policies and objectives of each of our companies. This will provide us with the information necessary to introduce a number of major changes that will improve their operations and build for long term growth and increased profitability.

We believe we have developed an accurate appreciation of the major problems facing our company and we look to the longer range future with confidence.

On behalf of the Board of Directors may I express our appreciation for the co-operation and effort given by all employees.

Respectfully submitted,

S. J. SINCLAIR

April 24, 1970

President

TOROMONT INDUSTRIAL HOLDINGS LTD.

(Incorporated under the Canada Corporations Act)

AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1969

(with comparative figures for 1968)

ASSETS

CURRENT ASSETS

Cash

Accounts receivable

Due from unconsolidated subsidiaries

Share subscriptions receivable

Inventories, at the lower of cost and net realizable value

Prepaid expenses

OTHER ASSETS

Special refundable tax

Bills receivable, not currently due

Estimated proceeds on liquidation of subsidiaries

Cash surrender value of life insurance

Investment in unconsolidated subsidiaries, at cost less accumulated losses since acquisition

Investment in other companies, at cost

FIXED ASSETS

Land, at cost

Buildings and equipment, at cost

Less accumulated depreciation

DEFERRED CHARGES AND INTANGIBLES

Patents, at cost less amortization

Goodwill, at cost

Commission on shares issued

Excess of cost of shares of subsidiaries over book value of underlying net assets at dates of acquisition

LIABILITIES

CURRENT LIABILITIES

Bank indebtedness (secured except for \$177,747)

Accounts payable and accrued liabilities

Dividends payable

Taxes on income

Long-term debt — current portion

Bank loans, secured, arranged to acquire shares of subsidiaries

Long-term debt, less current portion (Note 2)

Deferred income taxes

Minority interest in consolidated net assets

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Notes 3 and 4)

Authorized

1,000,000 preferred shares, par value \$10 each, issuable in series

10,000,000 common shares without par value

Issued and fully paid

350,000 6½ % cumulative, redeemable, convertible preferred shares, Series A

3,302,469 common shares (1968 — 3,032,308 shares)

Retained earnings

On behalf of the Board:

S. J. SINCLAIR, Director.

R. M. P. HAMILTON, Director.

See notes to consolidated financial statements.

AUDITORS' REPORT

The Shareholders,
Toromont Industrial Holdings Ltd.

We have examined the consolidated balance sheet of Toromont Industrial Holdings Ltd. and subsidiary companies as at December 31, 1969, and the consolidated statements of retained earnings, operations and source and application of funds for the year then ended. Our examination of the financial statements of Toromont Industrial Holdings Ltd. and of those subsidiaries of which we were the auditors for the year ended December 31, 1969 included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. To the extent that the above mentioned consolidated financial statements incorporate financial data in respect of Cimco Limited and its subsidiaries, we have relied on the report of other auditors who examined the financial statements of those companies.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with the adjusted presentation for the preceding year as explained in Note 1 to the consolidated financial statements.

TOUCHE, ROSS & CO.,
Chartered Accountants.

Toronto, Ontario,
March 20, 1970.

1969	1968 (Note 1)
\$ 588,234	\$ 214,024
6,163,023	2,597,148
—	151,114
—	17,675
4,710,720	3,715,061
59,083	76,735
<u>11,521,060</u>	<u>6,771,757</u>
15,332	18,897
60,664	—
58,578	—
65,456	52,699
—	32,262
390,034	—
<u>590,064</u>	<u>103,858</u>
81,962	79,076
<u>6,863,510</u>	<u>6,320,570</u>
3,665,677	3,673,099
<u>3,197,833</u>	<u>2,647,471</u>
<u>3,279,795</u>	<u>2,726,547</u>
42,890	47,834
47,000	47,000
342,500	150,000
970,160	714,583
<u>1,402,550</u>	<u>959,417</u>
<u>\$16,793,469</u>	<u>\$10,561,579</u>

1969	1968 (Note 1)
\$ 1,977,381	\$ 2,084,253
4,224,090	1,528,768
63,192	—
216,606	262,237
212,855	171,000
<u>6,694,124</u>	<u>4,046,258</u>
—	800,000
739,833	573,280
286,407	346,801
397,948	397,798
<u>8,118,312</u>	<u>6,164,137</u>

3,500,000	—
4,933,642	4,056,675
<u>8,433,642</u>	<u>4,056,675</u>
241,515	340,767
<u>8,675,157</u>	<u>4,397,442</u>
<u>\$16,793,469</u>	<u>\$10,561,579</u>

TOROMONT INDUSTRIAL HOLDINGS LTD.

AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1969

(with comparative figures for 1968)

	1969	1968 (Note 1)
Balance at beginning of year, as previously reported	\$ 384,858	\$ 374,962
Adjustments of prior years' deferred income taxes	44,091	42,034
Balance at beginning of year, as restated	340,767	332,928
Net earnings for the year	30,659	7,839
	<u>371,426</u>	<u>340,767</u>
Dividends declared		
On preferred shares of parent company	\$ 110,474	
On preferred shares of a subsidiary, paid out of earnings of prior years	<u>19,437</u>	
	129,911	—
Balance at end of year	<u>\$ 241,515</u>	<u>\$ 340,767</u>

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 1969

(with comparative figures for 1968)

	1969	1968 (Note 1)
Sales	\$27,620,003	\$14,864,834
Earnings before undernoted items	\$ 1,202,224	\$ 705,942
Interest on parent company bank loans to acquire shares of subsidiaries	82,210	255,510
Expenses in connection with Supplementary Letters Patent, share issues and Stock Exchange listing	44,484	13,994
Abnormal bad debt losses and inventory adjustments in respect of a subsidiary	151,000	—
Operating losses of United Kingdom subsidiaries placed in voluntary liquidation in 1969	86,449	69,492
Realization of life insurance policy	—	(29,323)
	<u>364,143</u>	<u>309,673</u>
Earnings before income taxes, minority interest and extraordinary loss	<u>838,081</u>	<u>396,269</u>
Provision for income taxes		
— current	621,276	295,374
— deferred	(24,709)	46,672
	<u>596,567</u>	<u>342,046</u>
Earnings before minority interest	<u>241,514</u>	<u>54,223</u>
Minority interest in earnings of subsidiaries	26,280	46,384
Earnings before extraordinary item	<u>215,234</u>	<u>7,839</u>
Estimated loss on liquidation of United Kingdom subsidiaries, less related income taxes, \$7,900	184,575	—
Net earnings for the year	<u>\$ 30,659</u>	<u>\$ 7,839</u>

See notes to consolidated financial statements.

TOROMONT INDUSTRIAL HOLDINGS LTD.

AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1969
(with comparative figures for 1968)

Source of funds	1969	1968 (Note 1)
From operations		
Net earnings for the year	\$ 30,659	\$ 7,839
Add charges not requiring use of funds		
Depreciation and amortization of fixed assets	321,844	281,112
Provision for deferred income taxes	(24,709)	46,672
Minority interest in earnings of subsidiaries	26,280	46,384
Operating losses of United Kingdom subsidiaries	86,449	69,492
Funds provided from operations	440,523	451,499
Net proceeds from sale of capital stock	4,184,467	2,583,300
Disposal of fixed assets	386,081	34,917
Increase in long-term debt	166,553	—
Realization of life insurance	—	21,547
	<u>5,177,624</u>	<u>3,091,263</u>
Application of funds		
Repayment of parent company bank loans	800,000	2,480,746
Additions to fixed assets	1,256,286	277,400
Advances to United Kingdom subsidiaries	112,765	38,291
Reduction in long-term debt	—	60,960
Dividends declared — parent	110,474	—
Dividends to minority shareholders of subsidiaries	41,290	21,017
Investment in shares of non-affiliated companies	390,034	—
Excess of cost of shares of subsidiary over net book value, less realization in respect of shares of a subsidiary sold	255,577	—
Bills receivable, not currently due	60,664	—
Redemption of preferred shares of a subsidiary	36,204	36,002
Purchase of minority shares of a subsidiary	—	26,000
Purchase of goodwill	—	47,000
Sundry items (net)	12,893	(4,019)
	<u>3,076,187</u>	<u>2,983,397</u>
Increase in working capital	<u>\$2,101,437</u>	<u>\$ 107,866</u>

See notes to consolidated financial statements.

TOROMONT INDUSTRIAL HOLDINGS LTD.

AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1969

1. Principles of consolidation and exchange conversion

The consolidated financial statements include the accounts of all subsidiary companies, with the exception of the United Kingdom subsidiaries which were placed in voluntary liquidation at September 30, 1969. The net operating losses of these subsidiaries for the period from January 1 to September 30, 1969 are shown separately in the consolidated statement of operations and the related assets and liabilities have been deleted from the consolidated balance sheet. In previous years the assets, liabilities and operating results were fully consolidated. The 1968 comparative figures have been restated to reflect these adjustments in that year.

During the year all of the shares of W. E. Dillon Co. Limited were sold and 99.56% of the common shares of Cimco Limited were acquired. The consolidated operating results include the net earnings of W. E. Dillon Co. Limited to June 30, 1969 and the net earnings of Cimco Limited from May 1, 1969, the effective dates of sale and acquisition respectively.

The accounts of the United Kingdom subsidiaries have been converted to Canadian funds at the rate of Canadian \$2.60 to the pound Sterling, the exchange rate generally prevailing throughout 1969.

2. Long-term debt

The following is an analysis of long-term debt:

Special bank loans for capital purposes	\$ 466,572
8¼% mortgage, repayable by monthly blended instalments of \$241	22,394
9% mortgage bond, repayable in quarterly instalments of \$8,125	48,750
Policy loan secured by cash surrender value of life insurance	33,340
5½% loans, repayable in 1970	26,600
5% unsecured debentures, repayable in equal quarterly instalments to February 1, 1983	259,080
5½% sinking fund debentures, requiring deposits of \$25,000 annually to 1971	50,000
Mortgages payable	17,952
Purchase agreement	28,000
	<u>952,688</u>
Less current instalments	212,855
Deferred instalments	<u>\$ 739,833</u>

3. Capital stock

During the year, Supplementary Letters Patent were obtained authorizing the creation of 1,000,000 preferred shares, par value \$10 each issuable in series, following which 350,000, 6½% cumulative, redeemable, convertible preferred shares, Series A were issued for cash at their par value of \$3,500,000.

In addition, the following common shares were issued during the year:

25,200 shares issued for cash under the Incentive Stock Option Plan for executives of the Company and its subsidiaries, at \$1.75 per share	\$ 44,100
244,961 shares issued as partial consideration for the acquisition of shares of a subsidiary at \$3.40 per share	832,867
	<u>\$ 876,967</u>

4. Shares reserved

The following shares of the Company's capital stock were reserved for future issuance as at December 31, 1969:

	Shares
Under the provisions of 500,000 stock purchase warrants expiring December 31, 1973 and exercisable at \$2.25 per share until December 31, 1970, thereafter at \$3.00 per share until December 31, 1972, thereafter at \$4.00 per share until December 31, 1973	500,000
Under conversion privileges granted to the holders of 350,000 preferred shares, Series A, convertible on various bases at various dates to July 14, 1979 — maximum common shares issuable	1,166,667
Outstanding options granted under the Incentive Stock Option Plan for executives of the Company and its subsidiaries, which have not yet been exercised:	
Options at \$1.75 per share, expiring September 21, 1971	29,300
Options at \$1.50 per share, expiring May 31, 1972	12,500
Reserved for options not granted or resulting from options which have lapsed	9,450
Total common shares reserved at December 31, 1969	<u>1,717,917</u>

In January 1970 options on a further 150,000 common shares were granted to a senior executive of the Company at an option price of \$1.00 per share.

5. Charges to income

The following costs and expenses have been charged to earnings for the year:

	1969	1968
Depreciation of fixed assets and amortization of patents	\$ 321,844	\$ 287,081
Directors' remuneration	67,807	49,025
Interest on long-term debt	55,114	49,707

6. Commitment

By the terms of an agreement with the minority preference shareholders of a subsidiary, Lloyd-Truax Limited, the Company has undertaken to cause that subsidiary to redeem the preference shares at their par value in approximately equal quarterly instalments over a period of twelve years, which commenced in 1968. At December 31, 1969, preference shares having an aggregate par value of \$361,594 were outstanding.

THE TOROMONT GROUP OF COMPANIES

CIMCO LIMITED

WALTER L. PHARO
President & Vice Chairman of the Board

W. L. B. WATTS
Vice-President and Secretary-Treasurer

RONALD S. ROSE
Vice-President and General Manager — Mechanical Division

L. O. CROOKS
Vice-President and General Manager — Refrigeration Division

MRS. G. REMMES
Assistant Secretary

CLARE BROTHERS LIMITED

HAROLD ADAMS
President

J. L. DUNCAN
Vice-President — Finance & Treasurer

EDWARD C. CLARE
Vice-President — Marketing

C. D. LLOYD
Secretary

EL-MET PARTS LIMITED

ROBT. A. BRIGGS
President & Secretary

J. PAPA KYRIAKOU
General Manager & Treasurer

LLOYD-TRUAX LIMITED

C. D. LLOYD
General Manager & Secretary

F. E. JOLLIFFE
Vice-President — Sales

JAMES A. MOFFAT
Assistant Secretary

F. B. MCFARREN LIMITED

J. A. SIMPSON
President & General Manager

JOHN W. BAYE
Secretary

MRS. C. RICHMOND
Assistant Treasurer

VIKING PUMP CO. OF CANADA LIMITED

S. J. SINCLAIR
President

A. CRAIGMYLE
General Manager

L. R. McLACHLAN
Secretary-Treasurer

NOTE: The President of Toromont Industrial Holdings Ltd. is Chairman of the Board of each subsidiary company.

